

the budget and you

WINNERS AND LOSERS: OVERVIEW

Single-malt factor eludes the poor

The Chancellor's package of tax cuts will be worth an average of £3 per week to UK households.

While most taxpayers will benefit from the 1p cut in the basic rate of tax, the overall modest handout proffered by Kenneth Clarke yesterday will not be of equal benefit to all. The poorest households which already pay little or no income tax cannot benefit from the rate cut, and are unlikely to be in much of a position to splash out on the now cheaper whisky. The 10 per cent of households with the lowest incomes will benefit by only 4p per week on average, which is unlikely to do much for the elusive feel-good factor.

Households with the highest incomes, those in the top 10 per cent, will be more able to take advantage of the single-malt factor with extra cash amounting to an average of £7 per week, about 1 per cent of their net incomes.

The chart uses data from the Microsimulation Unit's tax-benefit model, POLIMOD, and shows the distributional impact of the main personal tax changes, relative to an indexed base. The indexed base is what would have happened had the Chancellor allowed only for inflation in his budget statement yesterday. Changes in income due to the effects of the increases in income-tax thresholds, combined with the reduction in the basic rate and the changes to excise duties, are shown as a proportion of pre-Budget incomes.

Altogether, the tax cuts have a modest impact throughout the income distribution as shown on the chart, but are clearly more generous to households with higher incomes. This is because the change with the most impact – and which costs the most – is the cut in the basic rate. This is of greater value to people with higher incomes but is of no immediate value at all to people below the threshold of the basic-rate band.



Holly Sutherland

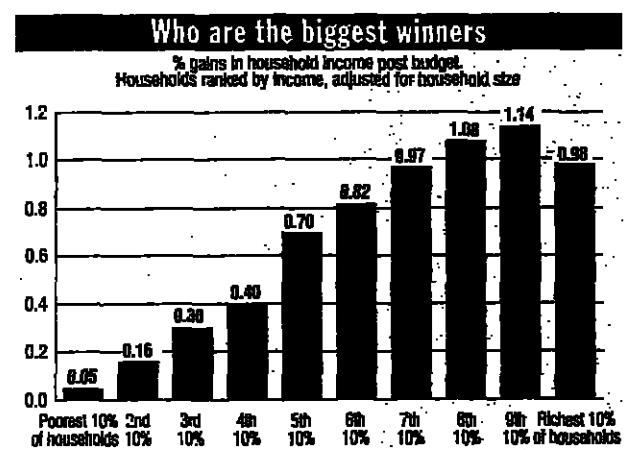
Those below the basic-rate threshold are people who have incomes of up to £7,665 per year (or £9,455 for married people). This concentration of basic-rate-cut benefit on middle- and higher-income groups is compounded by increasing the upper limit of the basic-rate band by £200 per annum more than inflation, to £25,500.

This can only benefit taxpayers enjoying incomes near or above this threshold. Almost all of these are in the group of households with the top 10 per cent of incomes. This points up that the general thrust of the taxation measures contained in yesterday's budget will work in favour of the better off, despite Mr Clarke's claims in the House that he is a "person with a real social conscience".

The very rich, however, will not have seen much in the income tax proposals to warrant celebration. But the well-off will benefit more than most from the increase in the threshold for inheritance tax to £200,000 from its current level of £154,000. The Chancellor did not miss the opportunity, however, that the well-off were traditionally the best positioned to make arrangements for the disposal of their property before they die.

The chart shows that the bottom 40 per cent of the distribution – 9 million UK households – stand to gain very little. Those at the very bottom – who were the worst affected by the imposition of VAT on domestic fuel in 1993 – will be virtually no better off than they were this year, underlining the fact that the Government still has some way to go to make up for these regressive measures.

The social security announcements due to be made to the House today by Peter Lilley, the Secretary of State for Social Security, are not expected to rectify this situation for many. Moreover, cuts of a different sort – to housing benefit for young people, the details of which are to be unveiled today – are expected to reduce the incomes of one of the most vulnerable groups at the bottom of



Helping hand: The Budget has reduced means testing for the elderly

LONG-TERM CARE

Package aims to halt crisis over funding

BY NICHOLAS TIMMINS

A package of measures to deal with the mounting crisis over the funding of long-term care were announced by the Chancellor.

Immediate action includes an easing of the means-tests that have seen growing numbers of the elderly lose almost all their savings and in many cases their houses, too, if they finish their days in long-term nursing or residential care.

Benefits paid out under a range of long-term care insurance policies are also to be made tax exempt where the payments are made direct to the person needing care.

And in the longer term, the Government is to consult on ideas similar to those already running in New York and Connecticut in the United States where people who pay for, say, the first three years of care in a home then receive it free, without a means-test – allowing them to pass on any remaining savings and their home to their children.

In addition, the Inland Revenue is to consult over the possibility of allowing occupational schemes to pay variable pensions. Individuals would be able to take a larger pension in later years, when they are more likely to need long-term care, in exchange for a smaller pension earlier on.

The Chancellor's immediate measures mean individuals will only have to run their capital down to £10,000 before receiving free care in homes – at present they have to contribute until their savings fall to £3,000. In future, help will start when their savings are down to £16,000, double the present figure of £8,000.

"Long-term care will be a growing problem for the finances of many families," Kenneth Clarke told the

Individuals will only have to run their capital down to £10,000 before receiving free care

Commons. And while saving for long-term care was "one of the rainy days" for which people put money by, "the balance between the state paying and the family paying must be right. If it is not, prudent people will complain that they are being treated unfairly compared with those who were unable or unwilling to save at all".

Apart from the immediate measures, which Mr Clarke claimed, "will give many elderly people and their families more financial security and greater peace of mind," the Government also wants to find more ways of helping people plan ahead.

Ministers will consult on "partnership schemes" developed in the United States where people who either take out a policy for long-term care, use part of their pension to buy one, or who otherwise cover themselves for a given sum or period, then receive greater protection against their remaining assets being taken when the money runs out.

The Treasury proposals may go far beyond the United States deals, which in some cases provide free care after a three-year period where individuals have paid for themselves. But the aim would be to allow individuals "to retain some of their assets" above the new limit of £16,000.

Age Concern welcomed the new capital limits which will add some £60m to government spending next year. Sally Greengross, Age Concern's director, said the new lower limit which will allow people to keep £10,000 savings was "especially welcome. It will ensure that nest eggs remain exactly that".

But both Age Concern and Help the Aged were more sceptical about the longer-term consultations.

Help the Aged said the moves did nothing to help those who stay in their own homes, rather than needing residential and nursing care. And it had hoped for a "full review" rather than the lip services of consultation.

CARE INSURANCE

Industry hopes for £3bn bonanza in policies for elderly

NIG CICUTTI

Insurance companies were last night toasting a potential bonanza in sales of long-term care policies in the wake of the Chancellor's announcement that he was aiming for a "partnership" between the state and the private sector.

Industry estimates suggest that by the end of the decade, sales of long-term care products could be worth £3bn a year, a

50-fold increase from the £50-£60m sold at present.

The Chancellor, Kenneth Clarke, said yesterday that he would be talking with insurers and other professionals about plans to end or reduce means-testing for people who take out LTC plans.

His move, revealed in the *Independent* last week, follows extensive lobbying by companies, including the Association of British Insurers.

Dr Ian Owen, managing director at Eagle Star, said: "I would give the proposals a cautious welcome."

"The interest that he has shown indicates that he has clearly recognised that something needed to be done. As pioneers in the field, we look to play a full part in the consultation process."

"Introducing measures of immediate help to the elderly combined with a formal con-

sultation on the more thorough aspects of long-term care in the next century provides a sensible framework for realistic solutions."

"Implemented correctly, tax exemption on long-term insurance policies would help send important signals on the need for people to make arrangements for their future."

Peter Gatenby, appointed actuary at PPP Lifetime Care, the largest provider in the sec-

tor, said: "I am really pleased. It is in many ways what we expected, but what is gratifying is the Chancellor's willingness to take on board a range of views. This is also good news for a large part of the elderly population."

Mr Gatenby said that the average cost of a LTC policy running for three years if purchased by someone aged 65, would cost about £6,000.

More than 500,000 people

are expected to buy such policies. Mr Clarke also aims to allow a proportion of a retiring person's tax-free pension fund to be used to pay for an LTC policy.

The move has been strongly opposed by the National Association of Pension Funds, the umbrella body representing almost 1,500 schemes in Britain.

Tom Ross, chairman of the NAPF, said: "It is good that the Chancellor is consulting and not

rushing into the proposal. We've been consulting our own members and what we think about this solution is that it would be hard for most people to take out this kind of insurance without a significant reduction in their pension."

"Nor do our funds want to take on the risks of insurance. But the important thing is the consultation process and we aim to put forward our ideas on this issue."

SAVINGS

Benefits for savers 'not enough'

STEVE LODGE and CLIFFORD GERMAN

Millions of savers stand to benefit from the Chancellor's reduction in tax on bank and building society interest to 20 per cent. But the Bradford & Bingley's head of strategy, John Wrigglesworth, dismissed it as "a snowflake on an iceberg". The move is typically worth less than a third of a per cent to savers on their balances over a year. And the benefit could easily disappear if, as expected, base rates are cut.

The Chancellor said 14 million savers would gain £5 in every £100 of interest they received as a result of the savings tax measure. The move was part of a Budget with the stated intention of helping savers, specifically to reward the thrifty and encourage people to save more.

The Chancellor said the average pensioner will gain by £75 a year, and some could gain by as much as £500.

Basic rate taxpayers stand to

gain because less tax will be deducted from the interest on their savings. On an account paying a gross rate of 5 per cent, savers will be left with 4 per cent net interest rather than 3.75 per cent as before. But a cut in base rates, if passed on to savers by societies and banks, could more than wipe out the benefit.

Societies might reduce rates anyway as part of their campaign to help borrowers. Societies, however, welcomed the move as giving more interest to savers.

Higher rate taxpayers do not benefit because they will still pay 40 per cent tax on their savings overall. They will now have 20 per cent deducted at source and will owe another 20 per cent through their annual tax return.

The move was presented as a way of helping to create a level playing field for savers. Basic rate investors in shares already effectively pay 20 per cent tax on dividends.

But the move also sidesteps a potential administrative nightmare. With millions more peo-

ple moving into the 20 per cent income tax band, there have been fears that these savers would reclaim 5 per cent tax under the old 25 per cent savings tax system.

The reduction in savings tax also affects gilts and corporate bond Peps. Michael Dyson of BZW said bond and gilt prices would go up marginally as a result. Arguably corporate bond Peps – which shelter investors from all tax – also become a less attractive investment as a result of basic rate taxpayers.

In another move aimed at helping savers, the Chancellor reduced to 60 the age at which people can buy National Savings Pensioners Guaranteed Income Bonds, currently paying 7.5 per cent gross fixed for five years. These have proved an attractive savings vehicle for retired savers. Previously they were only available to 65-year-olds.

Save as You Earn schemes will be extended to allow employees to invest just £5 a month in share options in the shares of

the company they work for. This is half the original minimum of £10 a month. They will also be allowed to invest for only three years instead of the present five year minimum. The holding period during which shares must be held in trust to qualify for exemption from tax has also been reduced from five years to three.

Employees will also be exempted from tax on share options worth up to £20,000 granted after 17 July this year. If they are held for three years, the options must be granted at a price close to the market value of the shares at the time the options are granted.

The new scheme is intended to encourage companies to grant options to lower paid employees, including the Tesco check-out employees who were caught by the Chancellor's measures to penalise over-generous share options for executive "fat cats".

Proshare, the organisation which encourages wider share ownership, welcomed the move but expressed disappointment that the £20,000 limit and the three year period would still penalise middle-rank executives.

ESOP, the body which encourages employee ownership welcomed the move.

The starting point for payment of inheritance tax has been lifted in a single jump from £154,000 to £200,000 as a step on the way to the total abolition of the tax. It will exempt an estimated 7,500 estates a year from payment of inheritance tax and significantly reduce the liability of the remaining 15,000 estates and cost the Exchequer an estimated £130m in 1996-97 rising to £285m in a full year, reducing the revenue from tax by roughly a third.

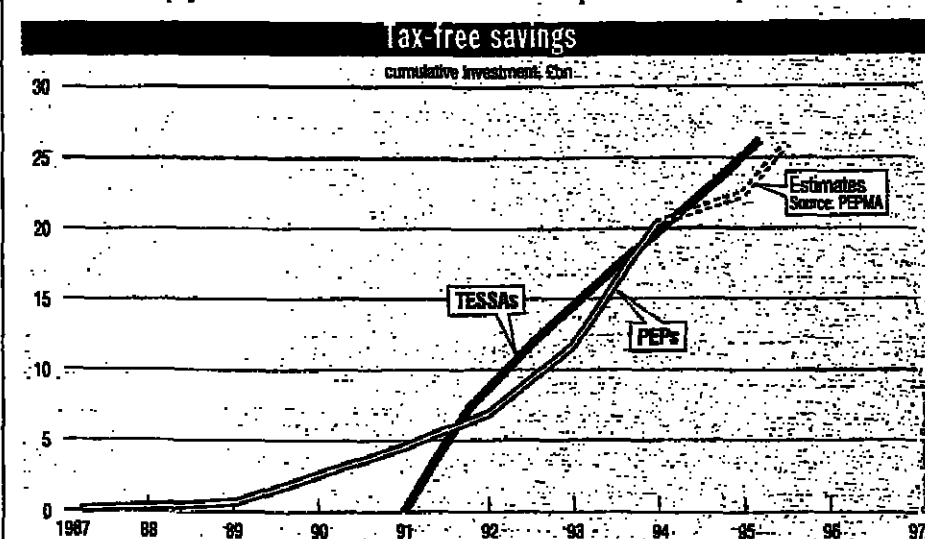
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25/11/95

Climatic change: Past caution dropped as UN panel of government scientists concurs on danger posed by greenhouse gases

Experts agree global warming has begun

NICHOLAS SCHOON
Environment Correspondent

The governments of more than 90 nations agreed last night that human-made global warming was already under way. The earth's climate appears to have been altered by pollution, a UN panel of experts concluded.

The gradual, unsteady warming of the globe seen this century was the best available

evidence of this, the UN's inter-governmental panel on climate change (IPCC) said. It goes beyond natural variation.

The 1980s and 1990s have had most of the warmest years since worldwide temperature records began nearly 140 years ago. The warming is set to accelerate into and through the next century, with temperature rises faster than any of the past 10,000 years.

The panel's declaration after three days of negotiation in Madrid marks a decisive shift in the global-warming debate. Sceptics have claimed there is no sound evidence that climate has been changed by the billions of tonnes of carbon dioxide and other heat-trapping "greenhouse gases" spewed into the atmosphere each year, mostly from the burning of fossil fuels and forests.

But the great majority of governments and climate scientists now think otherwise. The balance of evidence suggests an appreciable human influence on global climate, the IPCC report says. The last such in-depth IPCC report was published five years ago and was far more cautious.

Two of the world's biggest oil producing states, Saudi Arabia and Kuwait, made a sustained

effort to water down the report. They fear that if governments take global warming seriously they will shift their economies into using less crude oil.

But despite the opposition, the IPCC science working group concluded average temperatures have risen by 0.3 to 0.6C this century and have been "at least as warm as in any other century since AD1400."

"The recent warming has

been greatest of the mid-latitude continents in winter and spring," the report says. Britain's recent mild winters fit well with that.

Sea levels have crept up by as much as 25 centimetres – nearly a foot – over the past 100 years as warmer oceans expand. Atmospheric concentrations of the heat-trapping greenhouse gases, chiefly carbon dioxide, methane and ni-

trous oxide, continue to rise. As for the future, the report says average temperatures could rise by a modest 1C and a hugely damaging 3.5C by 2100. Sea levels could rise by between 15cm and 95cm by then.

Many climatologists fear humanity could push the climate to the brink of a drastic change such as the ice ages which occurred in prehistoric times.

Jeremy Leggett, a scientist

employed by Greenpeace, said in Madrid last night: "This has got to be a turning point. We've seen a clear signal that the footprint of climate change is appearing in the sand and is going to be increasingly hard for governments not to act."

Despite the new consensus, the fossil fuel industries and several governments will argue that the warming changes are so slow little action is needed.



All around the watchtower: Gordon Medlicott, principal keeper, on duty at the North Foreland lighthouse, near Broadstairs, Kent

Photographs: Edward Webb



Lights out on a proud tradition

JAMES CUSICK

The lonely and romantic life of the lighthouseman is about to be consigned to history, with the last of Britain's manned lighthouses becoming fully automated by the end of the century, according to the organisation responsible for the safety of shipping in British waters.

Their demise is inevitable, due to advances in satellite technology which enable ships to establish their position to within 10 metres, the General Lighthouse Authority said yesterday as it presented a consultation paper, *Marine Aids to Navigation into the 21st Century*.

Although satellite radio navigation technology has accelerated in sophistication in recent years, the authority has not carried out a full-scale evaluation of its operations in over 100 years. Now it is aiming to establish what mix of traditional

and new technology will be needed over the next 25 years. The authority currently operates 343 lighthouses throughout the UK and Ireland, only 30 of which are manned. The rest are fully automated and controlled by telemetry and computers.

However, fears that even unmanned lighthouses will fade into memory and become mere architectural relics were dismissed yesterday by Captain James Taylor chief executive of the Northern Lighthouse Board. Northern, along with the Corporation of Trinity House and the Commissioners of Irish Lights run all navigation systems in coastal waters.

Capt Taylor said "Inevitably the dependency on lighthouses will decrease. But at the end of the day we will still need these traditional visual aids. From being a primary source of navigational information they will become a back-up."

General Synod: Leading clerics attack Turnbull committee proposals

Clergy launch assault on Church leadership reform

ANDREW BROWN
Religious Affairs Correspondent

Leading clergymen yesterday criticised radical plans for reforming the government of the Church of England, warning that it would create an unrepresentative autocracy.

A meeting of the General Synod, at Church House, Westminster, was told that the changes – proposed by a committee chaired by the Bishop of Durham, the Right Rev Michael Turnbull, and enthusiastically backed by the Archbishop of Canterbury, Dr George Carey – would place "very considerable power in the hands of a largely unelected body that does not appear to be answerable to the Synod or anyone else," according to

Canon John Stanley, prolocutor (chairman) of the clergy of the York Archdiocese.

He asked whether the National Council, the new central committee which the Turnbull report proposes, will be able to "give a two-digit sign to the synod?" "If you give a body power, it will take it," Canon Stanley said.

The two archbishops would appoint eight of the fifteen members of the proposed National Council, which would take over the executive functions of the Synod and of the Church Commissioners.

"The patronage of the two archbishops will give them enormous influence and power," said Canon Stanley. "This will be felt throughout the church. Are we moving towards a

powerful centre which will not hear what people in parishes are saying?"

His remarks were greeted with sustained applause.

Dr Philip Giddings, vice chairman of the House of Laity, said: "The concept of a National Council, largely appointed and not fully accountable, needs fundamental reform. It seems to me remarkable that the commission should propose an additional layer of government, more centralisation, and less accountability."

However, Bishop Turnbull defended his proposals vigorously. "I really do not see a grab for autocratic power or anything like it."

"The National Council will actually have very limited power, and in that respect is quite

unlike a cabinet of politicians or a board of business directors."

"I do not accept loose allegations that we were motivated by trendy or even out-of-date management doctrine from the business world. The church at national level clearly needs to work better as one body, not as some kind of dismembered jellyfish."

The most enthusiastic support for his proposals came from Mr Philip Lovegrove, of St Albans, who poured scorn on the idea that the National Council would form a centre of power.

The Synod agreed to take note of the Turnbull report.

Legislation embodying its principles will be presented at its next meeting in February next year.

Lincoln 'a place of ridicule'

ANDREW BROWN

Staff at Lincoln Cathedral, which has been riven by a struggle between its dean and its chapter, say it has become a "place of ridicule."

Today, its officials are due to meet to discuss the church's difficulties and the future of their jobs. This year the dean, the Very Rev Brandon Jackson, became embroiled in two headline-grabbing rows. One, a long-running dispute with senior members of the cathedral chapter over his leadership style, and the other a controversy which led to him being cleared of an adulterous affair with a cathedral verger at a church court. Yesterday the Church of England's General Synod was told that the trial cost the church more than £100,000.

The dean promptly accused senior members of the chapter, the senior priests in the diocese, of conspiring to remove him. The verger concerned, Verity Freestone, is now taking the dean and the cathedral's chapter to a tribunal alleging sexual discrimination, sexual harassment and unfair dismissal.

In a statement released yes-



Very Rev Brandon Jackson: at the centre of cathedral rows

terday staff rallied in support of the Bishop of Lincoln, the Right Rev Robert Hardy, who has said he will report the staff's problems with the dean to the Archbishop of Canterbury.

The statement said: "We have always considered it a

privilege to work for and in Lincoln Cathedral but unfortunately we all know that over the last six years it has become a place of ridicule. We are beginning to lose our sense of pride in our association with this beautiful place ...

"We have not, as yet, had any answers to questions tabled by the staff but it is our hope they will be answered at our next meeting. The Bishop of Lincoln has our full support and we certainly do not feel he needs to resign. Many of us are unhappy, frustrated and actually sickened by the whole situation and we feel something must be done urgently to remedy it. It must not be allowed to continue."

Neither the bishop nor the dean can legally be forced to resign by anyone, unless they are convicted of a criminal offence.

Since his arrival at Lincoln Cathedral in 1989 the dean has been locked in a bitter struggle with the four canons who constitute the governing chapter of the cathedral and have enough power under the medieval constitution to thwart any of the dean's initiatives.

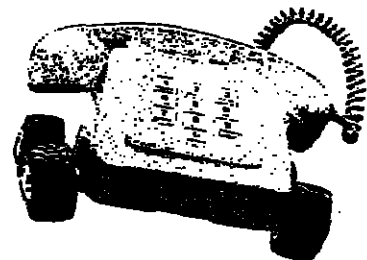
The Archbishop of Canterbury, Dr George Carey, said that he was in close touch with the bishop and others about the way ahead. He was "deeply concerned that the wounds of the cathedral be healed as soon as possible".

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4
news

Tower of London: Yeomen decide rogue birds are nothing to crow about



Hopping mad: Beefeaters clutching Tower ravens, two of whom were banished this year for bad behaviour

Photograph: Edward Webb

Beefeaters in a flap over ravens

JOJO MOYES

Two were dismissed this year for "going rogue", one was removed following unprovoked attacks on a television aerial, and one was last seen outside a pub in the East End. Staff at the Tower of London hope the tenures of Thor and Odin will be less problematic.

The two ravens, who were rescued as fledglings by the Forestry Commission, were presented to the Yeoman Master David Cope yesterday. The brothers replace Charlie who died in August, following a fatal meeting with Charlie, the Police Springer Spaniel.

"They settled down pretty quickly. But it was quite obvious their characters fitted their names," a spokeswoman for the Tower said. "Thor was making a terrible racket and got quite cross."

Their arrival brings the total number of ravens at the Tower to nine. King Charles II decreed that there should be always at least six at the Tower, to prevent disaster befalling the kingdom, and two more are kept "in reserve". But it was felt the pair,

who will be fed on bird biscuits soaked in blood and the odd rabbit, would be happier if kept together.

Erratic behaviour from previous ravens has led to a number of official expulsions. George was banished in 1986 to the Welsh Mountain Zoo for "unsatisfactory conduct".

"He was bending TV aerials and ripping them out. The Padre's aerial he took particular offence to. It was very unfortunate," the spokeswoman said. Worse was the behaviour of ravens Hugin and Jackie who were dismissed earlier this month with a "Tower Order" that stated their services were no longer required following "conduct unbefitting to Tower Residents".

Hugin and Jackie, it emerged, had become a little aggressive following their mating period. "It's called 'going rogue', the Tower spokeswoman said. "They just didn't calm down."

Following their arrival at the zoo, the explanation for their rather aggressive courtship became clear. Jackie and Hugin were both male.

UK wins deal on ferry safety

World shipping yesterday drew back from supporting tough new safety standards on roll-on, roll-off ferries which had been backed by Britain.

The UK is now set to bring in these stronger stability regulations, thanks to a regional agreement it has reached with France and other Western European countries.

The compromise was reached on the last day of the meeting of the International Maritime Organisation, in London. It follows recommendations made by an IMO panel of experts following the *Estonia* disaster in 1994, which claimed more than 900 lives.

The panel had recommended the fitting of watertight compartment bulkheads to keep vessels afloat longer if water entered the car deck. This would have meant costly structural work and would have gone far beyond the standards set by the 1990 Safety of Lives at Sea (Solas) convention.

Yesterday the IMO failed to endorse the tougher regulations and merely agreed that all

ships, rather than just those built since 1990, should meet the less strict 1990 standards.

However the UK, together with France, Italy, Spain, Norway and Sweden, put forward a resolution - accepted by the IMO - that when two or more countries in a region agreed on a need to have higher standards, they could impose them.

It is understood that Britain helped drag the French into joining in the resolution after they appeared sceptical. The northern European countries will now meet in Sweden next week to thrash out further details of their agreement.

William O'Neill, IMO director-general, had backed the tougher standards. Asked if countries had taken the cost of improvements into account, he later said: "I think there was a strong consideration of the economics of the whole thing."

Water on the car deck was a strong factor in both the *Estonia* disaster as well as the *Herold of Free Enterprise* tragedy at Zeebrugge in 1987 in which more than 190 lives were lost.

DAILY POEM

Winter Light

By Cynthia Fuller

What has it done, the winter light
with its opalescence and cold edge?
Day lengthening it drained all colour
to still silver, black lines, grey darkening.
What has it leached from us who sat
soaking in its pale beauty?
We are bleached like bare bone: cold, so cold.

Cynthia Fuller was born in Kent in 1948 and has spent her working life teaching literature and creative writing for the Open University and in Adult Education colleges. Her first collection, *Moving Towards Light* was published in 1992. A new collection *Instructions for the Desert* ranges round the landscapes of her adopted County Durham and North Yorkshire and is published by Flambard at £6.95.

Court urged to let comatose mother 'die with dignity'

A woman who suffered brain damage almost four years ago has no hope of recovery and should be allowed to die "peacefully and with dignity", Scotland's first "right-to-die" legal hearing was told yesterday.

Dr Iain O'Brien has treated Janet Johnstone since she was taken to the accident and emergency department at Law NHS trust hospital, Lanarkshire, in January 1992, after taking an overdose of drugs.

Dr O'Brien was the first witness to appear at the Court of Session in Edinburgh where the hospital - backed by Mrs Johnstone's family - is seeking permission to remove the feeding tube keeping her alive. He said he was satisfied that Mrs Johnstone, 32, was in a persistent vegetative state, and had suffered irreparable brain damage.

Mrs Johnstone was taken to Law hospital on 14 January 1992, after taking a mixture of drugs. Doctors tried to treat her but she suffered two seizures, one of which lasted about 10 minutes, causing brain damage.

Since then, she has been kept alive with intensive nursing. She is able to breathe but has to be fed through a tube and turned every two hours.

Dr O'Brien said she appeared to have no idea of what was going on around her. She did not respond to stimulus, and had "never shown any ability to communicate". There was no evidence that movements she made were voluntary, and in his opinion her brain had no cognitive function. "The prognosis is hopeless," he said.

In March 1993, he spoke to Mrs Johnstone's husband, Peter, and daughter Linda about the possibility of allowing her to die. The daughter reluctantly accepted the advice but Mr Johnstone disagreed, saying he hoped his wife would recover.

There were several meetings over the next year. Finally, in February 1994, the family said they were in favour of removing the feeding tube. A brain scan performed in June showed there had been widespread shrinkage in all areas of the

brain caused by lack of oxygen.

Dr Richard Metcalfe, a consultant neurologist at Glasgow Southern General Hospital was asked for a second opinion. He said he had examined Mrs Johnstone twice and was satisfied she was in a persistent vegetative state. He rated her chance of improvement as "virtually nil". In his opinion, the prolonging of life "in this situation is artificial and indeed I would say cruel". Asked to explain, Dr Metcalfe said his use of the word "cruel" referred to the patient's family and friends, who would find it upsetting to have a loved one in this state.

Mary Ellen Davidson, a nursing sister at Law Hospital, told the court that Mrs Johnstone had been moved from a ward to a side room because of the noise she was making. "She cried out a lot, it was disturbing for other patients," she said, adding that she still called out occasionally. In her opinion the cries were involuntary and she could not assess if she was in pain.

The case continues today.

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Town hall turmoil: National Executive Committee acts to curb Walsall's ruling group amid allegations of party within a party

Labour removes 'extremist' council chief

JOHN RENTOUL
Political Correspondent

Labour yesterday suspended the leader and deputy leader of Walsall council, claiming they led a "party within a party" and were refusing to open their plans for 50 mini town halls to public consultation or independent scrutiny.

Dave Church and his deputy, John Rothery, were suspended from membership of the Labour Party, along with a third councillor, Brian Powell, by the party's National Executive Committee. Labour councillors will be required to elect a new council leader in the next few days.

The NEC decided, by 21 votes, with left-wing MPs Dennis Skinner and Diane Abbott voting against, that the council leadership had failed to give the required assurances by the deadline of midnight on Tuesday.

NEC member Clare Short, who visited Walsall with John Prescott, the deputy Labour leader, said: "We have no alternative but to take the action that was recommended to the NEC today. When we went to Walsall we believed that we could conciliate, but the people

with whom we were negotiating broke their word. We now have evidence of a tight and disciplined group within the party and we have to act."

The NEC decided to investigate charges that a faction called the Walsall Socialist Group was operating secretly within the local party. A Labour spokesman said the group appeared to have a closed membership, by invitation only, that members were alleged to have to pay 1 per cent of their salary in subscription and that it allegedly operated strict internal discipline. The Labour Party's rules ban groups "having their own programme, principles and policy."

Walsall Labour Party has been sharply divided for decades, with a left-wing group, known until recently as the Tribune group, holding power in the early 1980s. The left took control again after May's local elections, with a radical plan to give "power to the people" through more than 50 neighbourhood committees, elected by local people.

In August, the national Labour leadership suspended the Walsall district party organisation and handed a propaganda coup to the new

Conservative chairman, Brian Mawhinney, who had visited the West Midlands town to draw attention to the council as an example of "real Labour".

Mr Rothery claimed to be "terribly shocked" by the announcement: "This talk of a tight, disciplined group is not true. Walsall Socialist Group is a discussion group which meets to talk about national issues. It does not have any premises, there is no constitution, there are no rules, there is nothing."

Fifteen of the 34 Labour councillors are believed to be members of the group. A further 15 belong to the rival "moderate" group, while four are non-aligned. With the group's strength reduced, a "moderate" is likely to take over the council leadership.

Mr Rothery said the Socialist Group was affiliated to the national Socialist Campaign Group, which claims several Labour MPs as members.

Mr Church and Mr Rothery met Mr Prescott last Thursday and were given an ultimatum to agree to genuine public consultation, looking at all the options, and to "some form of independent validation". A Labour spokesman said they failed to do this.



Out in the cold: Walsall Council leader Dave Church. His plans have fallen out of the party leadership

Photograph: Ashley Coombes/Newstream

Tory council 'risked lives of tenants'

CHRIS BLACKHURST
Westminster Correspondent

Evidence has emerged suggesting that Westminster council put homeless families at risk by moving them into two blocks of flats known to be riddled with asbestos, as part of the controlling Tory group's alleged gerrymandering policy.

Documents supplied to the Independent and to John Barrett, an independent investigator hired by the present council to look into the claims, suggest that the controlling Tory group, led by Lady Shirley Porter, moved 100 families into the flats to reduce the potential Labour vote in key marginal wards.

The investigation by Mr Bar-

ratt, the former chief executive of Cambridgeshire County Council, is the second currently under way into the activities of Westminster's ex-Tory leaders. The first, and best known - the "homes for votes" inquiry into suspected gerrymandering by Lady Porter and council colleagues - is expected to be completed next month.

However, the Barrett inquiry, which is also due to be finished shortly, could be just as explosive. It concentrates solely on the decision in 1989 to relocate families into Hermes and Chantry Points in Paddington. The council was well aware of the dangers posed by the flats. In 1983, its own Environmental Health Officer warned that

conditions in the block, including the "extremely friable nature of this type of asbestos" indicated its "necessity for removal as a matter of urgency". From the date of that warning, 10 February 1983, no more flats were let on secure tenancies.

In August 1983, the Department of the Environment published a circular - Asbestos Material in Buildings - warning of the public health risk. The circular highlighted the problem unique to the two blocks, where asbestos had been sprayed on to the steel structure to act as a safeguard against fire.

Gradually, tenants moved out and the blocks became partially empty. Lady Porter and her colleagues, however, were

keen to prevent a local community group from taking them over, refurbishing them and removing the asbestos. The documents show the council was prepared to use the flats as part of its alleged gerrymandering policy, codenamed "Building Stable Communities", of keeping likely Labour voters out of marginal wards. Hermes and Chantry were earmarked for homeless families, concentrating them in a safe Labour ward.

Documents show a decision to move the homeless into the tower blocks was taken at a meeting of the council's inner cabinet. The chairman's group, chaired by Barry Legg - then, a Tory councillor, now MP for Milton Keynes South

West - and confirmed at a further meeting chaired by Lady Porter on 28 February.

Prior to this decision, the council had been moving tenants out of the flats and smashing them up, to prevent squatting. When new tenants began moving in, asbestos was exposed in some places.

In 1990, after the Health and Safety Executive was alerted, the council admitted the flats were dangerous and posed a statutory nuisance under the Public Health Acts. The tenants were moved out, the flats sealed and subsequently demolished. Westminster council issued a statement, refusing to comment, pending the outcome of the full report.

Council leader forced to quit over affair

The Labour leader of a city council resigned from his post yesterday after a long-running row over his relationship with a council officer.

Stewart Foster, leader of Leicester City Council, narrowly lost a vote of confidence in a meeting of his Labour group last night.

Mr Foster, married with three children, was accused in a confidential council document of breaking the council's code of conduct over his affair with his senior policy adviser, Kathy Kerswell.

The council's chief executive, Imtiaz Farookhi, said that the relationship posed a risk of maladministration. He decided to send Ms Kerswell on a 12-month sabbatical MBA degree course at De Montfort University, in Leicester, to defuse the situation.

It was first alleged Mr Foster had arranged the degree course for Ms Kerswell at the council's expense.

A report by the town clerk found the allegation untrue but critics in the council's ruling Labour group have been determined to oust their leader for apparently embarrassing the party.

Mr Foster, leader of the council for just 18 months, has always denied the affair led to any wrong-doing although his relationship with Ms Kerswell is continuing.

Robert Wann, chairman of the council's leisure services committee and a possible successor, said the vote went against Mr Foster last night by 21 votes to 20.

Mr Wann said: "We do need to look for somebody who will bring the two factions of the Labour group together."

Mary Draycott, chairwoman of the Labour group and a supporter of Mr Foster, said: "He has brought a refreshing management style to the council but many did not accept that."

Mr Foster was not available for comment.

Acute patients 'suffering malnutrition'

As many as one in 10 of the people admitted to hospitals as acute patients are suffering from malnutrition - but in many cases doctors and nurses do not spot the symptoms, a charity representing nutrition experts said yesterday.

All patients should be screened routinely to spot those

suffering from malnutrition as well as the complaints or diseases which led them to go to hospital initially, said the British Association for Parenteral and Enteral Nutrition (BAPEN).

As many as 1,400 of the 14,000 people who go into hospital as acute admissions each day would be seriously mal-

nourished for reasons including loss of appetite and mobility, difficulty in chewing or swallowing, and digestive disorders.

Malnourished patients recovered more slowly and stay longer in hospital.

Weighting and questioning patients was the best way of identifying the signs of mal-

nourishment, said the BAPEN report, published in the specialist journal *Clinical Nutrition*.

But 30 per cent of doctors and nurses did not weigh patients on admission and 91 per cent failed to take a note of height, while nearly 40 per cent were not asked about their eating habits and dieting.

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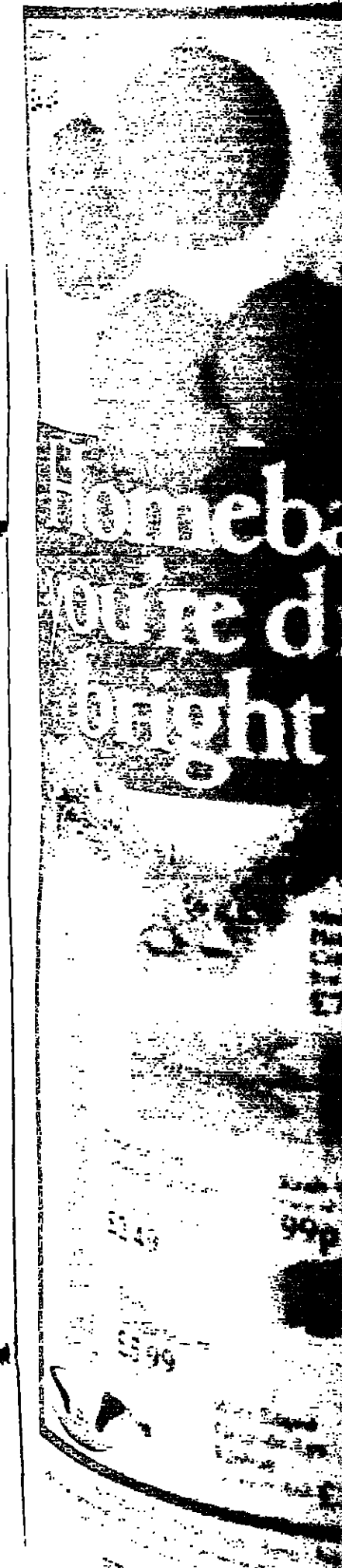
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Teachers' drop-out rate is costing millions

CHRIS BLACKHURST
Westminster Correspondent

Teachers taking early retirement are putting a huge strain on the public purse as their numbers reach record levels, it is reported today. The Government claims not to know what is behind the increase. Last year, 6,075 teachers left the profession prematurely through ill health, more than double the 1985 figure of 2,698. The figures, which are contained in a report from the

National Audit Office (NAO), the public finance watchdog, will fuel the claims of teachers' unions that their members are being placed under an intolerable strain by education cuts and large classes.

When those not ill but wishing to leave and take advantage of the Government's pensions and superannuation scheme are included, the annual average total of teachers retiring early has shot up from 11,624 to 17,187. Overall in the last decade, 150,000 teachers in the

state and independent sectors have left the profession. Teachers in independent schools still qualify for the Government-financed scheme. Last year alone, the cost to the taxpayer of those leaving was £134m.

In the report, Sir John Burn, the Comptroller and Auditor General, and head of the NAO, criticised the lack of information about the numbers of teachers resigning. He said the Teachers' Pensions Agency, part of the Department for Education, has no "firm information" on the

reasons for the increase in teachers quitting through ill health. Part of the problem, Sir John said, is that the agency is not receiving adequate information, or applications are being made even before a teacher has had medical treatment.

But now, Sir John said, it is taking a tougher attitude. "The agency have taken action designed to ensure that the medical criteria for early retirement on ill-health are applied more consistently and rigorously as the annual number of such cases

has more than doubled to over 6,000 over the last 10 years."

The total cost to the taxpayer is only assessed at five-year intervals. Latest figures from the Government Actuary cover the period to 31 March 1986 and showed a shortfall between teachers' own pension contributions and payments, of £1.55bn. The actuary is working on the next review for the five years to March 1991.

Attempts by the Government to tackle the problem by

forcing local education authorities and independent employers to contribute more to the national superannuation scheme are unlikely to be enough. Teachers pay a per cent of their salaries, while employers pay 8.05 per cent. By making employers pay more, the Government aimed to wipe out the shortfall over 40 years.

But that calculation was based on the actuary's 1986 review. Since then, as Sir John has confirmed, the number retiring early has soared, so that the

contributions from employers will have to rise further. "The Department expects that the review ... will indicate that the deficit on the scheme has grown. This will lead to a substantial increase in employers' contributions if the policy on early retirements remains unchanged," Sir John warned.

He is heavily critical of the Department for Education for claiming not to know why so many teachers are retiring and for reviewing the cost to the taxpayer only at five-year intervals.

"I view with some concern the financial strains placed on the Teachers' Superannuation Scheme as a consequence of the increasingly high level of early retirements, particularly since the Department are not clear as to the underlying causes for this. I am also concerned at the delay in completing the actuarial review of the Scheme."

Sir John said that it was not fair to ask the employers to contribute more to relieve a burden which should have been foreseen sooner.

Cossack adventure: Horsewoman tangles with bureaucracy at Harwich after 2,500 trek



Horsewoman rides in to glory

CLARE GARNER

They say the last part is always the hardest. For the intrepid British horse breeder, who trekked 2,500 miles across eastern Europe on horseback, this was not far from the truth.

As Barbara Whitmore, 48, tried to disembark from the Harwich ferry in Essex at dawn yesterday with the three Cossack endurance horses she had bought for breeding from a small village in Russia, it was clear that her battle with bureaucracy was not yet won.

Clutching a bunch of flowers in one hand and a mobile phone in the other, her husband, Giles Whitmore, 58, paced nervously up and down trying to placate the gathered photographers. Of his

wife, who he had seen for just half a day in the last six months, he said "She is stuck somewhere between freight and customs."

An hour later Mrs Whitmore emerged, ready to field questions. Why did she do it? "Why not? Horses are a form of transport - I wasn't in a hurry," she replied. Her husband, glowing in reflected glory, said: "I'm so proud of her. I don't know anyone else who could do it."

Mrs Whitmore had set her heart on jumping straight back into the saddle for the last 60 miles home to Denston, Suffolk.

But the combination of bureaucrats and reporters meant she had to leave the port by car. Her horses - Pompeii, a palomino stallion, Malishka, a grey mare, and Masha, a dark



Journey's end: Barbara Whitmore (left, on Masha) is met by her husband, Giles, yesterday

Photograph: Geraint Lewis

bay mare - which according to her husband had cost her "peanuts ... below meat value", were driven off separately.

This was by no means the first time Mrs Whitmore had had to compromise since she set out from Volgograd in June.

In Sweden two weeks ago, pu-

perwork problems over entering the European Union forced her "rather ignominiously" to box up the horses and drive to the Hook of Holland instead of riding. Yesterday she admitted "It's a bit disappointing but I think we've proved our point."

Mrs Whitmore refused to

discuss her plans for the future, saying, "I'll have to think about it. I have to resume normal life first." But her husband, who funded the £45,000 trip from the sale of his collection of classic cars and antique guns, feared it would not be long before she was off again.

A more immediate plan is to turn Mrs Whitmore's nightly jottings into a travelogue, named *Bandits and Bureaucrats* after the most prominent features of her trip. Serialisation rights could go some way towards recouping the cost of the Russian trip and funding the next.

Ashby denies eyeing up men in gay pub

REBECCA FOWLER

David Ashby, the Tory MP, denied he frequented one of London's "oldest, best known gay pubs" yesterday in the High Court. Mr Ashby, who denies he is a homosexual, was giving evidence in the sixth day of his libel case against the *Sunday Times* and Andrew Neil, the former editor.

According to Richard Hartley, QC for the *Sunday Times*, Mr Ashby was spotted in the Queens Head pub in Chelsea by Andrew Pierce, a *Times* journalist. He described seeing Mr Ashby in December 1991 wearing an anorak, and wandering around the pub "looking at younger men".

"It's a friendly pub, with copies of gay magazines in the bar ... a place where men go with male partners or to pick up male partners, you see men holding hands," Mr Hartley said. "You only have to order a drink to see the bar staff are obviously gay."

Mr Ashby, MP for Leicestershire North West, denied he was in the pub and insisted he was at his Ravenstone constituency home for the weekend. Mr Ashby said he had visited the pub on two occasions but was unaware it was gay. He added: "Chelsea is a weird area. There are lots of weird people."

When Mr Ashby attended a cocktail party a month ago to launch a book entitled *Great Parliamentary Scandals*, in which

he featured following the *Sunday Times* articles that alleged he slept with a man in Goa, he met Mr Pierce, assistant editor of the book, for the first time. "I walked up to him and called him a liar," Mr Ashby said.

He also produced the sleeping contraption that aids his sleep and tried it on in front of the jury. It consisted of a tight fitting cap attached to a nose-piece, connected to a tube that blasts air into his nostrils. Mr Ashby's lawyers said his impotence and the need for the sleeping aid make homosexual relations less likely.

Mr Ashby's House of Commons expenses claims were also produced in court, including entries for the Leicestershire trip on the weekend he was alleged to have visited the Queens Head. But Mr Hartley produced expenses claims from Mr Ashby on behalf of Silvana Ashby, his wife, who acted as his parliamentary secretary. They included claims for her journey to Leicestershire on a weekend it emerged she had travelled to Berlin on an arts trip.

Mr Ashby said expenses had to be completed a month after the event, which meant dates could be confused.

The *Sunday Times* accused Mr Ashby of being a hypocrite about his homosexual relations. He denied that he slept with Dr Charian Kilduff, a doctor, when he left his wife, although they shared a bed on a trip to France. The case continues.

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AFTER THE BUDGET

QUANGOS

Waldegrave targets quangos for more cuts

JOHN RENTOU
Political Correspondent

The Government launched a drive yesterday to cut the number and running costs of quangos in the wake of "Draconian" cuts in civil service bureaucracy announced in the Budget.

William Waldegrave, Chief Secretary to the Treasury, said that quangos were his next target. In Tuesday's Budget, the Chancellor, Kenneth Clarke,

announced a 5 per cent cut over the next three years in Whitehall's £15bn running costs, amounting to a 12 per cent cut taking into account inflation.

Mr Waldegrave said: "There is a huge fringe of non-departmental public bodies surrounding government, some of which have managed to escape from similar levels of pressure, because they are self-financed. They don't for example identify their running cost bureau-

cracies in the way that central government does."

He named one quango in his sights. "There are some very big animals out there - like the Health and Safety Executive."

The HSE has an annual budget of around £230m, of which about £40m is self-financed, partly raised from licence charges. But a source in the HSE said yesterday: "We certainly have not been immune from cost-cutting pressures."

Mr Waldegrave said he wanted to see cuts in the running costs of quangos, which he estimated at £10-12bn a year, to match the 12 per cent real-terms cuts in Whitehall.

He told a Treasury news conference: "The Government has already had considerable success in reducing the number of quangos and improving the efficiency of those that remain. But we intend to make further efforts."

He announced a review of controls of administration costs, of the scope for further cutting the numbers of quangos and of ways to monitor how they achieve their objectives.

The Labour Party accused the Government of sponsoring a huge growth in the number of unaccountable and unelected bodies, such as NHS trusts. Andrew Smith, Labour's Treasury spokesman, said yesterday: "It must not be forgotten that

it was the Tories who initiated the proliferation of the quango state, frittering money away on bureaucracy, new logos and keeping their friends in 'nice little earners'. But needless to say these measures do not go far enough."

The initiative follows the three-year cut in Whitehall running costs, condemned as "Draconian and devastating" by civil service unions. The cut followed two years in which the

cash spending on administration was frozen. It was this measure which Peter Lilley, Secretary of State for Social Security, said "fills me with despair" in a leaked letter during the spending negotiations.

Mr Lilley, speaking on BBC Radio's *Today* programme yesterday, said: "We managed to reach a sensible settlement to enhance the work against fraud - that was my main concern."

Mr Waldegrave defended the overall cut in running costs. "These savings will not reduce services. The Citizen's Charter has shown that standards can rise with lower costs."

"We are also trying to abolish bureaucracy wherever we can. There are now 506,000 civil servants - fewer than at any time since the war. The reductions in running costs should help bring the numbers well below 500,000 next year," he said.

WELFARE REFORM

Unemployed must work for benefits

BARRIE CLEMENT
Labour Editor

In a decisive break with fundamental principles of Britain's welfare system, the Government is to introduce a compulsory workfare-style scheme, under which the unemployed are required to work for their benefits.

Ministers yesterday set out the details of a £12m pilot programme, in which the long-term unemployed will be obliged to participate or lose payments from the state.

Explaining a statement by the Chancellor in his Budget speech, Eric Forth, Minister of State at the Department of Education and Employment, said taxpayers expected something in return for providing programmes for the jobless.

"Most long-term unemployed want to get back to work and will value the help the scheme gives. Some, however, may have no intention of finding work," Mr Forth said. He argued that the jobless were often at a disadvantage because they lacked motivation or confidence.

In the two trial schemes, in areas to be announced, all those aged between 18 and 50 who have been out of work for two years or more will be told to report for the "Project Work" programme.

For the first 13 weeks of the scheme they will be offered advice on how to get back into the labour market with training for some claimants and work trials for others.

Thereafter they will be expected to obtain work experience in jobs provided by voluntary organisations, charities and private sector training companies, typically involving decorating, construction and gardening work.

The department says: "Refusal to attend the mandatory work experience programme will lead to loss of benefit." Under principles laid out in the Jobseekers' Allowance legislation, "vulnerable" defaulters, with family responsibilities or a degree of disability, will receive hardship payments of 40 per cent of their benefits and in some cases just 20 per cent.

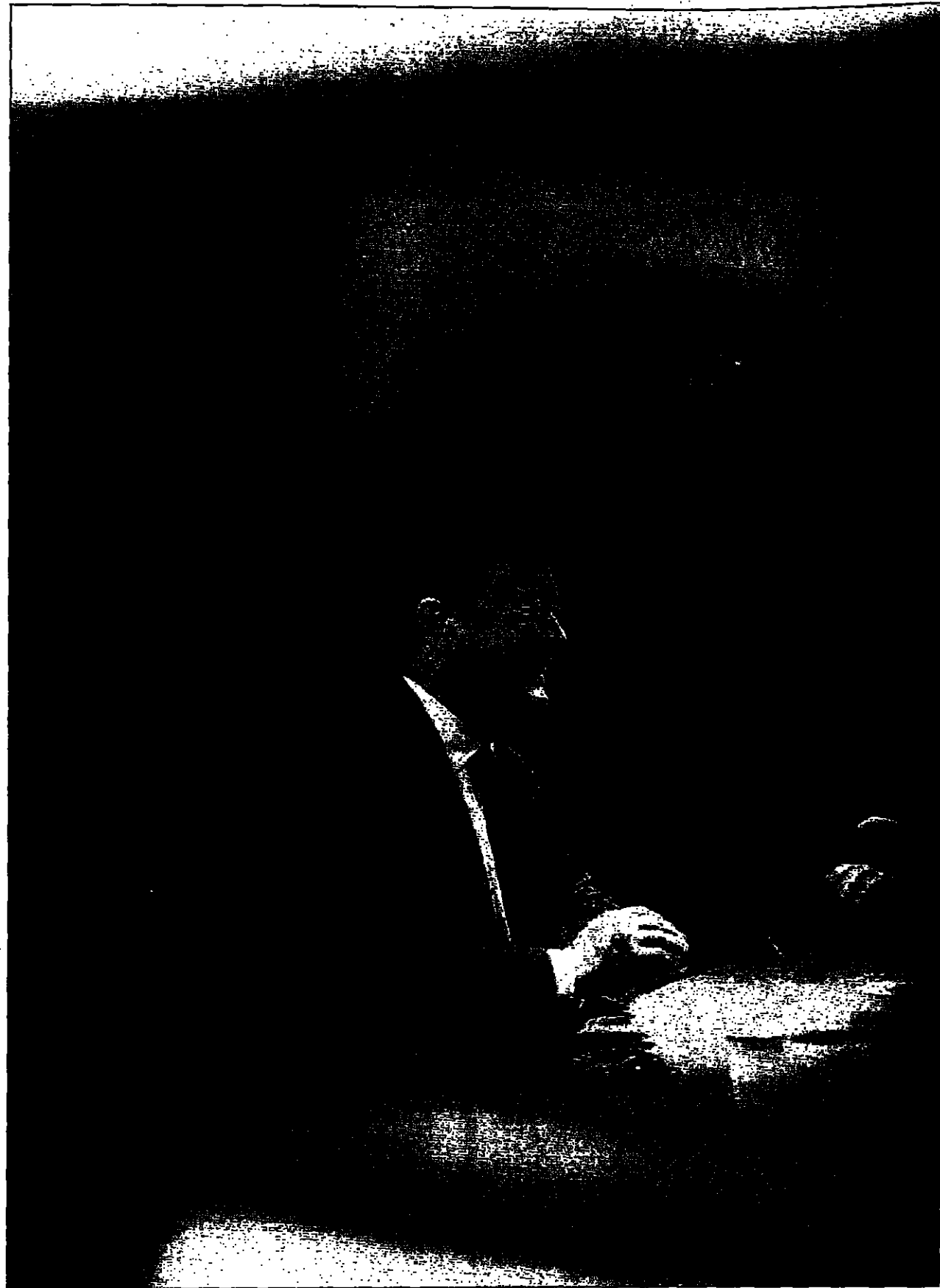
On the first occasion an "able-bodied" person refuses to attend the work experience course, he or she will forfeit two weeks' benefit and on the second and subsequent occasions they will lose four weeks' money. If they refuse to have anything to do with the programme they will receive no benefit whatsoever, Mr Forth said: "I believe taxpayers who fund Britain's generous benefit system would expect nothing less."

The Department of Education and Employment denied that the two new pilot programmes, expected to cover about 6,000 claimants, constituted "workfare" in the American sense, as the Government did not provide the work.

However, Paul Conway, of the Unemployment Unit pressure group, said the only difference was that the work was farmed out to private training companies or voluntary organisations or charities.

"The Government has inched cautiously and with some subtlety towards compulsion. This is a decisive and very clear step towards a comprehensive workfare system."

Mindful that Labour is considering an element of compulsion for the unemployed, Michael Meacher, the party's employment spokesman, said it was necessary to ensure quality. Any programme should offer proper training and a "throughput to jobs".



Punch line: Kenneth Clarke being interviewed yesterday for 'Today' on Radio Four Photograph: Stefan Rousseau/PA

ARTS FUNDING

Use of lottery cash may be extended

DAVID LISTER
Arts Correspondent

Lottery money may be used to commission new plays for theatres under a deal to be put to the Secretary of State for National Heritage, Virginia Bottomley.

Under current legislation lottery money can only go towards capital assets such as new buildings.

But Lord Gowrie, the chairman of the Arts Council, aims to persuade Mrs Bottomley that a new play is a new creation just like a new building and thus a "tangible asset".

The two will be meeting next week, and sources at both the Arts Council and the Department of National Heritage say the pair are determined to claw back some money for the arts after the disappointing 3 per cent cut in the grant for the department from the Treasury, and Mrs Bottomley's subsequent £5m cash cut for the Arts Council.

An Arts Council spokeswoman said Lord Gowrie had been examining the lottery legislation and had found certain areas "at the edges" where there was scope for flexibility.

Mrs Bottomley said yesterday: "We both want to find a way forward, to find an accommodation."

Using lottery money for commissioning new work - it could apply to operas and symphonies as well as plays - would delight the arts world, but would certainly cause hostile comment from those who already see lottery money as being used for elitist and minority tastes.

Meanwhile theatres, opera houses and other Arts Council clients have had their planning thrown into confusion by an unprecedented move by Lord

Gowrie to postpone the allocation of their grants.

In a fierce reaction to the £5m cash cut, Lord Gowrie, himself a former Conservative Cabinet minister, has refused to make the annual grant allocations in December as planned.

Calling the treatment of the arts "damaging and irrational", he said the council would not allocate grants for next April until at least the end of January.

He added: "We share the Secretary of State's commitment to people as well as buildings. We shall be looking for her



Lord Gowrie: Seeking to recoup money lost to arts

to work with us to translate this into practice over the next few weeks."

Mrs Bottomley is understood to have been privately upset by the Treasury's parsimony to the arts, which suffered nearly a 3 per cent cut, and yesterday she continued to blur the important distinction between government grant and lottery money, saying: "Lottery money is additional to government spending... but almost uniquely this department has had an extra funding source."

HOUSING BENEFIT

Lilley defends cut in payments to young

NICHOLAS TIMMINS
Public Policy Editor

Cuts in housing benefit for the under-25s, a renewed drive against fraud and a move that will double to £20 a week the amount charities and others can pay to people on means-tested benefits without their benefit being cut, were detailed yesterday by Peter Lilley, Secretary of State for Social Security.

The housing benefit change potentially affects nearly

200,000 young people living in privately rented homes, saving £100m over the next year.

From October next year, the rent they can claim will be limited to the average for shared accommodation - removing their ability to live in even a one-bedroom flat unless they make up a difference in rent that could amount to £30 a week or more.

In addition, housing benefit is to be paid in arrears, not in advance, while the amounts young people living at home are

expected to contribute to housing costs where their parents are on benefit is to rise by more than the rate of inflation.

The measures were attacked as "a double whammy" by Chris Smith, Labour's social security spokesman. They would encourage families to remove adult children from their homes - and then force young people into shared accommodation. "And this," he said, "is from the party that is in favour of keeping families together."

Mr Lilley, however, argued that the present system let people on benefit live in better accommodation than some in work could afford. It would discourage people from leaving home and reduce the attraction of moving to seaside resorts.

The measure is one that will contribute to a further £500m saving in social security spending next year and £1bn the year after, the biggest single savings coming from restrictions to asylum seekers' benefit and the battle against fraud.

Labour would oppose the asylum seekers' changes, Mr Smith announced, attacking the reforms as "inhumane and unjust". Under the package, which will save £170m this year, benefits will only be paid to 30 per cent of asylum seekers who declare themselves to be refugees on entry to the UK, and those who lose their claim will lose entitlement to benefit while they pursue an appeal.

Ashdown hits at Labour move on tax

PATRICIA WYNN DAVIES
Political Correspondent

Paddy Ashdown, the Liberal Democrat leader, lambasted as "pathetic" Labour's intention to abstain on next Tuesday's vote on the 1p cut in income tax.

The Liberal Democrats renewed their pledge to vote against the reduction as a protest against the £578m allocation in the Budget for schools, which many believe will not allow them to reverse last year's increased class sizes and teaching job losses. While the impact of the schools' settlement cannot be judged until today's announcement of council budgets, Mr Ashdown said: "People will be asked to pay through their council tax for their income tax cuts."

The Liberal Democrat leader said that one of the subtexts of the Budget was to shift the blame for spending concerns away from central government and on to Labour and Liberal Democrat-controlled local councils. He predicted that Labour would face a storm of protests from local councillors.

The cap on council spending could be eased in today's announcement, but moves to spend more on education could see council tax bills rise or other council services suffer. There is a further question mark over whether the Government will fully fund this year's teachers'

pay settlement, an issue that will not be settled until February.

Challenging Labour to vote for the 1p cut to be used for education and training, Mr Ashdown said: "The plain truth is that unless we improve Britain's level of education and skills, then we will not have an economic future. If Labour will not vote to put education first in opposition, how can the country trust them to do so in government?"

A sizeable proportion of Labour MPs in the Campaign Group and other left-wingers are expected to defy the party whip and vote against the cut.

There was also private recognition in mainstream Labour circles yesterday that Mr Clarke's Budget, which helped the floating middle-income voter, could cause problems for Labour in next May's local elections. By that time, electors will be feeling the benefits of the Budget in their pay packets while Tory activists will be preparing to campaign over higher council taxes.

In a speech to the German-British Chamber of Industry and Commerce yesterday, Mr Ashdown denounced the Budget as "irresponsible" because Government borrowing was still too high and way above last year's forecasts. He said: "The Budget arithmetic depends on a growth level most people doubt we can achieve."

Economic forecasts									
% changes	What happened in 1994	Forecast for 1995				Forecast for 1996			
		Treasury Budget forecast	Summer forecast	Wise Men average	Wise Men range	Treasury Budget forecast	Summer forecast	Wise Men average	Wise Men range
GROSS DOMESTIC PRODUCT	3.9	2.75	3.00	2.7	2.6-2.8	3.00	2.75	2.7	2.5-3.1
DOMESTIC DEMAND	3.3	2.00	2.00	1.9	1.6-2.3	2.75	2.75	2.2	1.8-2.6
of which									
Consumer spending	3.0	2.25	2.00	1.9	1.7-2.2	3.50	3.00	2.4	2.1-3.0
Fixed investment	3.7	1.00	3.00	2.6	1.6-3.2	4.25	5.25	4.6	3.4-6.4
Government consumption	2.0	0.75	0.25	0.7	0.3-1.5	0.25	0.25	0.9	-0.3-1.7
Change in stocks as % of GDP	0.5	0.25	0.00	0.1	0.0-0.2	-0.25	0.00	-0.3	-0.6-0.1
TRADE									
Exports	8.2	9.00	7.50	5.5	4.7-6.5	7.25	6.75	5.6	4.8-7.4
Imports	6.1	5.25	4.00	2.5	1.2-3.5	6.75	6.25	4.1	3.8-4.6
RPI excluding mortgage payments	2.3	3.00	3.00	2.9	2.6-3.3	2.50	2.25	2.6	1.9-3.3
BALANCE OF PAYMENTS	-1.7	-6.50	-2.00	-6.0	-8.9 to -2.9	-5.00	-1.00	-3.7	-8.4 to -1.5
PSBR	35.9	29.0	23.5	27.4	25-30	22.5	16.0	21.5	20-26

Due to production difficulties, some figures in these tables in yesterday's Independent were incorrect

New spending plans				
£ billion	Estimated 1995-96 million	1996-97	1997-98	Change on previous forecast 1996-97
Police	27210	27420	27910	2220
Transport	4620	4180	4680	4410
Health	3970	4200	4300	1300
DOE-Local government	30320	31320	31380	31630
Education & employment	6890	6820	6840	6820
Health	14190	14040	14510	14520
Social Security	32930	33750	34180	34970
Other departments	73730	76810	79600	82250
Scotland, Wales & N Ireland	21510	21600	19720	19716
Leaving money self-financed spending	23010	23360	29730	29930
Reserve	12930	12930	13300	13300
Capital total	25330	26220	26220	27540
Civilian social security	14000	13900	14200	14700
Other adjustments	2000	2200	2400	2400
Accounting adjustments	9600	9700	9100	9600
Additional general Government expenditure	30610	30610	31520	31520
Privatisation proceeds	3000	4000	2500	1500
Other adjustments	5000	6200	9500	9500
General government expenditure	382100	386300	319500	328700
% of GDP	42	40.5	38.75	38.75

* Lottery-financed spending and interest and dividend receipts

PRIVATE FINANCE INITIATIVE
Minister prepare project worth £14



AFTER THE BUDGET



Cutting edge: Twyford Down shows the scars of the Government's abandoned drive to expand the road infrastructure

Photograph: Brian Harris

TRANSPORT POLICY

Motor lobby attacks cuts as road to ruin

CHRISTIAN WOLMAR
Transport Correspondent

The road lobby is demanding a parliamentary inquiry into how the road-building programme was slashed in a review slipped through in the Budget. One lobbyist described it as "the worst day for Britain's infrastructure since the Romans left".

Edmund King, the RAC's campaigns manager, who yesterday conducted a detailed analysis of the cuts, said: "We cannot understand how the Chancellor could claim in his speech that the £500m Private Finance Initiative meant good news for the roads' programme. In fact, 77 schemes, or 40 per cent of the total, have been cut and a further 40 out of the remaining 107 schemes have actually been put on hold."

Mr King suggested that the 40 schemes on hold represent-

ed another hidden cut, since work on them would not start for several years. Only eight road schemes would be started between now and April 1997; two of these involve contracts on the A12-M11 link road where work has already started, and another is the A34 Newbury bypass.

Mr King said he wanted the Commons transport committee to launch an inquiry. "Although the department claims that various factors such as the environment and local support were 'taken into account', many popular bypasses, which are completely uncontroversial, have been permanently axed. There seems to have been no proper criteria in carrying out this so-called review."

Of the 77 schemes dropped, 22 are bypasses which ministers have previously said are a priority. Other major casualties in-

clude several widening schemes on the M25 and one on the M1. James Hookham, head of transport policy at the Freight Transport Association, said that the Budget announcement was "the end of conventional road building as we know it. Tuesday was the worst day for Britain's infrastructure since the Romans left."

There are now 37 schemes, including 25 worth £500m announced by the Chancellor in the Design, Finance, Build and Operate programme, in which private finance is sought to build roads.

However, the road lobby argues this scheme is untested and is paid for by the taxpayer in the long run through "shadow" tolls, the contractor receiving a fee for every vehicle using the road. "It's just a way of getting roads on the never-never," Mr King said.

PRIVATE FINANCE INITIATIVE

Ministers prepare for project bids worth £14bn

NICHOLAS TIMMINS
Public Policy Editor

Details of the £14bn worth of private finance contracts which the Government hopes to have in place in little more than three years' time were released yesterday as ministers moved to meet criticism that the initiative has produced delays in capital projects and unacceptable bidding costs for the private sector.

The schemes, if approved, will commit the Government to billions of pounds more in revenue expenditure in future years, with the running cost of an average project crudely estimated by the Treasury to be between two and four times the capital cost.

In total, according to Sir Christopher Bland, chairman of the Government's Private Finance Panel, well over 1,000 potential schemes worth £25bn have now been identified - not all of which will come to fruition. But while the private sector will find that cash, the

and run prisons at Bridgend, South Wales, and Fazakerley, Merseyside, agreed earlier this year at a capital cost of £50m each. A £500m redevelopment of Home Office radio communications tops its list.

Education projects include a £100m new university for the Guy's St Thomas's and King's medical school in London, and a £20m rebuild of Pinlloe school, Westminster, part of 12 education department projects worth an estimated £291m. Transport includes 20 projects worth an estimated £4bn, dominated by the £2.7bn Channel Tunnel rail link.

In some areas, the initiative marks a watershed - with the private sector running prisons, for example. In the NHS, the announcement of the £35m South Buckinghamshire NHS Trust rebuild is a crucial step down the road that could lead to the NHS becoming solely a purchaser of health care which would largely be provided by the private sector.

Although Stephen Dorrell, the Secretary of State for Health, has said that staff directly employed by NHS Trusts will continue to provide direct patient care in the "overwhelming majority" of cases, the dividing line between clinical and non-clinical care is not always clear cut. In addition, health authorities are already, on a small scale, letting NHS contracts to private hospitals.

Despite the massive sums potentially involved, the time scale of building means the Treasury expects actual private spending to run only at £600m this year, rising to £2.5bn by 1998-99 - while the Government's own capital spending will fall away from almost £21bn last year to just over £19bn, leaving government-sponsored capital spending broadly level. The revenue consequences for government will be felt later as it buys in the services provided.

The key difference is that "the public sector no longer simply signs a contract to buy a prison, a train, or a computer system", Mr Jack said. Instead "it pays to have specific services at guaranteed levels of performance over 20 or 30 years". In the case of the £400m London Underground train deal, for example, the contract specifies a level of reliability four times better than for existing fleets.

Mr Jack rejected criticism that the Treasury is simply buying capital projects and services "on tick", building up public spending problems for the future. The schemes were not financial leases, he said. They were about government procuring services to defined outputs, with the private sector using its expertise to deliver them in the most cost-effective way possible.

The diverse nature of the contracts means break points - and therefore the public sector's long-term commitment to them varies. For instance, the North-east Line tube-train contract is initially for 20 years when the trains have an expected life of 36 years. In the case of prisons and roads, the assets transfer to the public sector at the end of the contract.



Michael Jack: Guidance issued for tender process

revenue costs of the services bought - from hospital buildings to private prisons and much else - could total between £40bn and £60bn over their lifetime, according to the Treasury.

To underline the Government's determination to drive the initiative through, Michael Jack, Financial Secretary to the Treasury, issued guidance stating that no more than three or four bidders should be invited to tender for projects which range from roads and schools, to prisons and hospitals.

And between 5,000 and 10,000 civil servants are to be trained over the next 18 months in how to make the initiative work.

Sir Christopher's list includes 153 "A" priority projects with a capital value of almost £9.5bn, which he said could be signed by the end of 1996-97. A further 1,286 projects worth £17.5bn have been identified, he said, which were "there to shoot at".

Priority projects include a new £140m Norfolk and Norwich hospital to be built on a green-field site, an £80m rationalisation in Bromley and a £180m new hospital in Edinburgh, all part of 23 NHS schemes worth almost £750m. Home Office projects include the privately financed

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AFTER THE BUDGET

INHERITANCE TAX

'Careless' changes make life worth living

STEVE LODGE

The timescale of the Budget move to increase the inheritance tax threshold was yesterday branded as "careless" reminiscent of the government clampdown on "fat-cat" share options earlier this year.

Tax and financial planning experts also questioned whether this and another change aimed at helping the savers of "middle Britain" would hit their mark.

"One thing we're all up in arms about is that the increase doesn't come in until April," Tim Jones, senior manager at accountants Binder Hamlyn, said.

The Budget proposed to increase the inheritance tax threshold by 30 per cent so that estates of less than £200,000 would be free of the tax, which bites at 40 per cent on anything over the threshold. Until April the tax-free limit will stay at the current £154,000. The change will offer a tax saving of £18,400 to all estates over £200,000.

"Basically it's hard luck if you die between now and April," Mr Jones said. "This move betrays a certain carelessness, like that on share options (when moves to hit 'fat cats' also impacted on low-paid supermarket check-out workers). It is the winter. There could be quite a cull if there was a flu epidemic."

The Treasury said that the

changes to the threshold level were planned for April because that is when the tax year changes and that is the date for implementation of most of the Budget changes. It said the detail of the proposal would not be published until the new year, as part of the Finance Bill to bring the Budget into law.

Mr Jones added that an increase to £200,000 in the tax-free limit "was not as dramatic as it first looked. This helps the rich, but it's not an awful lot of help for middle England."

A parent's house is counted in the estate towards this limit as well as other assets. "This still leaves a lot of families with houses in the inheritance tax net," Dawn Nicholson, private client tax partner at accountants Ernst & Young, said.

Ms Nicholson said that while people might call inheritance tax avoidable, it was only possible to escape the tax net to the extent that individuals could give away assets seven years before death. But parents giving the family home to children was not tax-efficient if any parent continues to live in it.

However, Ms Nicholson noted the Chancellor's comment that the increase would take 7,500 estates a year out of the inheritance tax net and that a separate measure to exempt unquoted investments from inheritance tax would help family businesses.

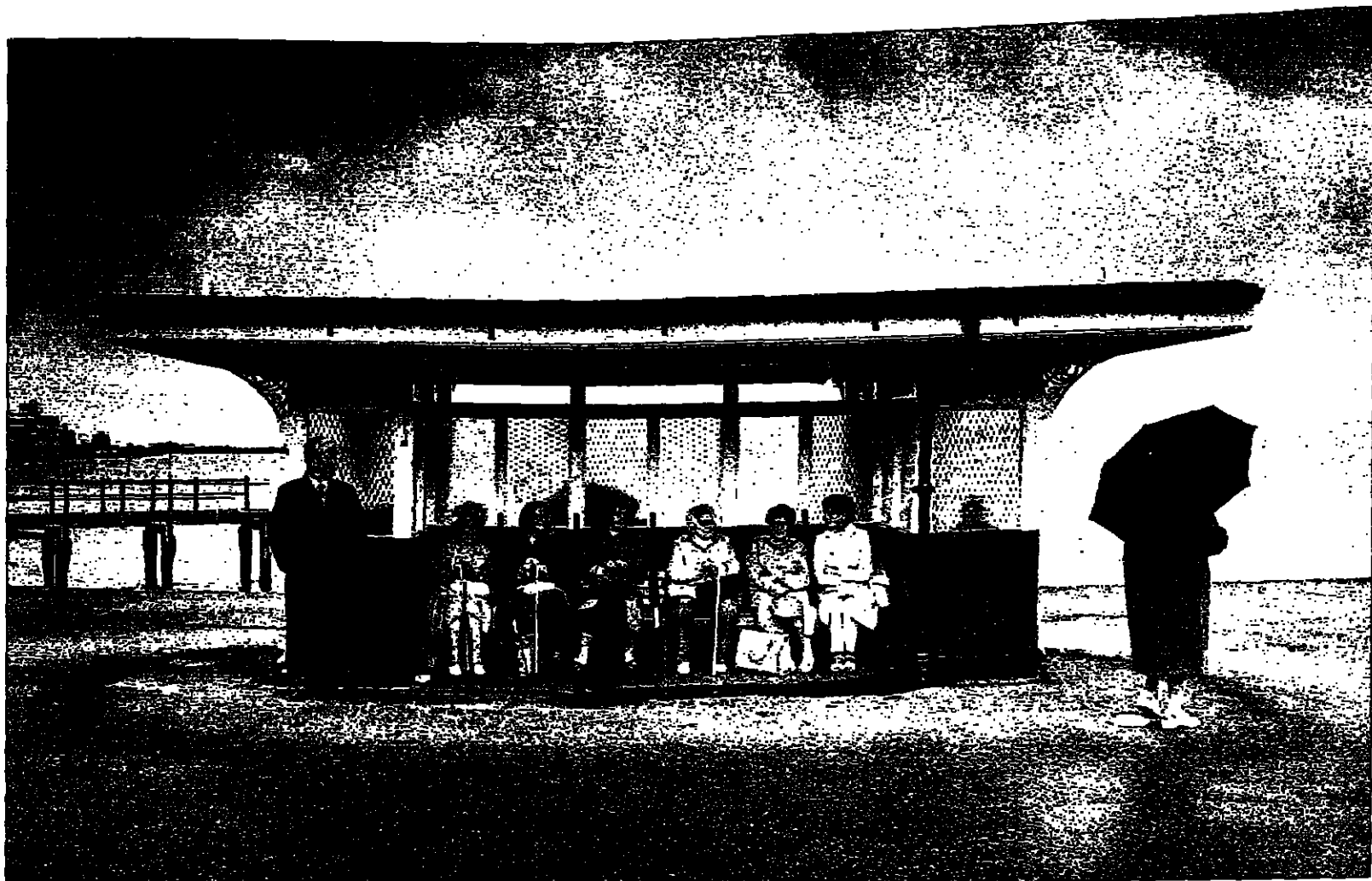
The exemption could also boost investment interest in companies quoted on the new Aim stock market and the Enterprise Investment Scheme, a high-risk successor to the previously-abolished Business Expansion Scheme.

A number of financial advisers also noted that the benefit of the cut in tax on savings to 20 per cent would only be marginal for most retired people - those the Chancellor suggested he was targeting in the savings' aspects of his Budget.

While basic-rate taxpayers stand to benefit from the cut in tax on interest from savings, "90 per cent of the [retired] population get 90 per cent of their income from pensions", Mr Jones said. Pensions continue to be taxed at 25 per cent for basic-rate taxpayers. Higher rate taxpayers do not benefit from the Budget savings tax cut - they will still pay 40 per cent tax.

For higher rate tax-paying pensioners the move was "no good", Mr Jones said to "really benefit" a retired couple might need invested assets of £1m. In that case they might be able to get another £1,000 each out of the tax change. But that will only help a minority with substantial income-producing assets they could "juggle".

"And for the under-45s, with negative equity, struggling with a family, there's little in the change [for them]," he said.



Cold comfort: Few pensioners will benefit from the cut in tax on savings while inheritance changes are delayed to April. Photograph: David Rose

HEALTH COVER

Exemption for loan insurance helps millions

NIC CICUTTI

More than 10 million people who insure against sickness or unemployment when taking out personal loans are not to be taxed on the benefits they receive, the Inland Revenue has announced.

The reprieve was part of the Chancellor's Budget statement on Tuesday and followed a bitter political row in May, when Kenneth Clarke was forced into a humiliating retreat on mortgage protection cover, only to discover that some of his officials were still separately aiming to tax loan insurance.

Had their plans taken effect, policyholders who lost their jobs would have found shortfalls of up to 25 per cent in the cover they thought they had taken out with insurers.

Mr Clarke's retreat from taxing benefits was welcomed yesterday by Pinnacle Insurance, one of the top providers in this field. "We think it is right that the Government should have confirmed a position that had applied in principle since the confusion that took place in May," a spokesman said.

Ending the uncertainty means that more people will be prepared to protect themselves, which is what this Government has been encouraging. Total annual premiums paid for loan protection cover are about £1bn. Cover for a £5,000 loan costs between £15 and £20 a month, with up to half of all borrowers choosing to take it out.

FAMILY BUSINESSES

Concession greeted as spur to growth

ROGER TRAPP

The Chancellor's decision to exempt minority shareholdings in family businesses from inheritance tax was yesterday hailed as a significant contribution towards the Government's declared aim of promoting enterprise.

Peter Leach, chairman of the centre for family business at accountants BDO Stoy Hayward, said it meant that there were no longer any "blockages to passing on wealth".

He predicted that the measure, which could affect thousands of people when it comes into force from 6 April 1996, would work in two main ways. First, it would encourage "inter-generational" share transfers, which have traditionally not been as popular in Britain as in the United States, Germany and elsewhere, and so stimulate the creation of long-lasting companies. Second, because shareholders would no longer be inclined to downplay the value of the stakes for fear of creating a tax liability, it would

encourage more active trading of them.

Ian Peters, head of small business services at National Westminster Bank, also welcomed the measure, pointing out that research carried out by the bank in the summer found that one-third of owner-managers intended to sell their businesses, with the inheritance tax position a prime consideration.

The parallel measure of reducing the qualifying age for capital gains tax retirement relief from 55 to 50 is also being seen as an important move.

Not only does it take account of the trend for people to cease working earlier than in previous generations, it also provides an environment in which an entrepreneur can build up a business over 10 years and then use the proceeds of selling it to set up another, so promoting enterprise while rewarding it. This might stimulate the growing market for "business angels", or private individuals who typically invest tens of thousands of pounds in private companies.

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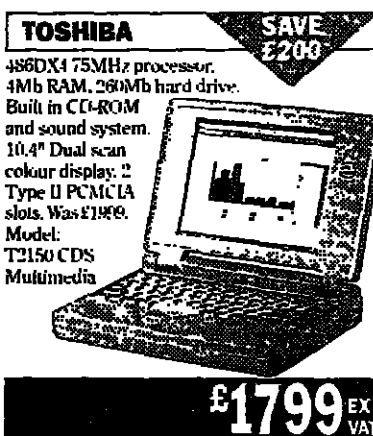
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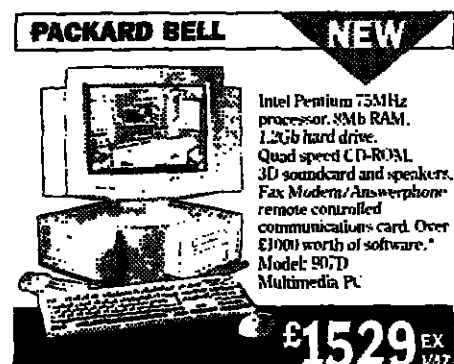
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Peace in Bosnia: The Dayton agreement talks of a united city, but rebels threaten a mass exodus from Muslim control

Serbs get ready to quit Sarajevo

EMMA DALY
Sarajevo

Safety guarantees from the Bosnian government have done little to calm the fears of some 50,000 Serbs living in four suburbs of Sarajevo due to return to government rule under the Dayton peace plan. But not have they inspired much thought of rebellion; the option of flight is favoured over fight in Hridza, west of the capital.

Some 3,000 to 4,000 separatist Serbs gathered in the suburb yesterday to demand that the world rewrite the peace deal. "Sarajevo is Serb," they cried. "We will never leave." But despite the banners - "Good fences make good friends" - the strongest - the writing is on the wall, and the people of Hridza know it.

On Tuesday, President Alija Izetbegovic assured women and children they would be safe under his control, but did not extend the guarantee to their men - and in Hridza, every man is a soldier. The Serb leadership is stoking such fears, warning of a "second Beirut" if the city is not divided.

Yesterday the Bosnian Foreign Minister, Muhamed Sacirbey, tried again: "All civilians

within a united Sarajevo ... will have their safety guaranteed by our government," he said. "We will not engage in trying to find out who has been a soldier and who was not. Of course there will be criminal responsibilities for those who engaged in war crimes."

But who is to make that distinction? "My husband was a soldier for four years," said Sretanka, a clerk at the demonstration. "My safety is guaranteed but not my husband's. How can we live under their authority?" But if it was? "We would say, thank you, but no."

One of the few to express any hope at all was Mirko Knezevic - perhaps because two of his brothers have lived safely across the line throughout the war. "I think I would stay if there were to be a joint civilian authority and an open city and we could co-operate in all aspects of economic life," he said.

Mr Sacirbey has sought to encourage such thinking, emphasising the huge flow of money the city expects after the war. "What is important is that the people on the other side of the line understand that it is to their benefit to be part of a united Sarajevo," he told reporters. "They have not been sold out as a part of a peace

agreement. We want them to be sharing in the benefits of a united Sarajevo because they are a part of Sarajevo."

But talk among the crowd was mostly of exodus, despite the best efforts of the organisers. "The politicians can leave, but we will not," said one speaker, to cheers and applause. Citizens took turns on the platform, flanked by Serb flags and a portrait of St George slaying the dragon (apparently symbolic of Serb suffering).

It was a new kind of Bosnian Serb offensive. "These people know that they cannot fight for Sarajevo with arms, but perhaps politically, like this," said one Serb official from headquarters in Pale. "Otherwise they will all leave."

The committee organised to protest against the Dayton plan had invited journalists to visit Hridza. Many of those at the demonstration are already refugees, yet most would rather live in permanent exile than try to return home. According to the UN, 25 per cent of the 100,000 Serbs in greater Sarajevo still live in government-held territory. The statistic counts for nothing against the propaganda and the fear: some are already house-hunting in Pale.



Scrum down: A rugby game yesterday between a Bosnian side from Zenica and an Anglo-French team of UN peace-keepers turned into a brawl. It wasn't great rugby, but the lads had a good time of it, said Major Tom Ellen, a British officer. Zenica (quartered shirts) won 8-7. Photograph: AP

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Perry hails Russian-US troops deal

SARAH HELM
Brussels

The first troops in the Nato-led peace implementation force are likely to arrive in Bosnia early next week, after Russia and Nato yesterday proclaimed a "historic" agreement enabling Russian troops to serve in the force, and giving Moscow a liaison role in command.

The agreement is not only crucial to peace in Bosnia, but also has far-reaching implications for East-West relations.

William Perry, the US Defense Secretary, said: "The significance goes far beyond Bosnia. It promises to form the basis of a new security dialogue between East and West. This emerging new relationship between Nato and Russia will make Europe more stable and more secure."

The deal means that deployment to Bosnia can now begin, with a group of 1,300 "enabling" troops - including 600 British - expected to arrive as early as Monday or Tuesday.

Despite the wave of optimism, however, serious questions remain about how the implementation plan will work. So far there is little progress on setting up a civilian command to administer the massive reconstruction task. And Nato yesterday ruled out taking on the mission of arresting war criminals, saying it is still considering whether its forces should have powers of arrest in some circumstances. How to disarm and "rebalance" Croats, Muslims and Serbs is still under discussion.

Doubts also remain about whether the alliance will be able to fulfil its political commitment to pull out all forces after 12 months. Michael Portillo, the British Secretary of State for Defence, insisted yesterday: "There is a clear commitment that this operation will last 12 months and we will all deploy together and all withdraw together."

The agreement on Russian participation, struck between Mr Perry and Pavel Grachev, the Russian Defence Minister, ends weeks of fraught negotiation over how to give Moscow

a political role in controlling the force. The solution arrived at means Moscow will be consulted by the 16-member alliance before decisions are taken by the North Atlantic Council. Nato's ruling body of ambassadors in Brussels. In what is called a "16 plus one" formula, the Russians may also be able to raise points at the council's discussions. In return, Russian troops will serve, in effect, under US command.

Although Moscow had demanded a larger role, and would have preferred a United Nations umbrella for the operation, Mr Grachev hailed the plan, praising Nato's new co-operation with Moscow. From now, he said, there were "no questions which cannot be solved."

A total of 15 Nato nations will contribute troops to the implementation force, and 12 non-Nato countries, including Russia, have agreed to join. Nato leaders said yesterday the force would supervise the separation of the warring forces, their withdrawal to barracks, the setting up of civil institutions and the conduct of elections.

The alliance leaders are clearly concerned about the delay in appointing a "high representative" to oversee the civilian tasks such as reconstruction, refugee return and election preparation. Carl Bildt, the EU's delegate to the former Yugoslavia, is the favourite, but dispute over how tasks should be assigned is holding up agreement. The alliance is also embarrassed over the continuing failure to appoint of Nato secretary-general following the resignation of Willy Claes. It now seems certain that the force will deploy with no secretary-general in place.

Nato discussed yesterday calls for the arming and training of Bosnian forces, as a means of ensuring a permanent balance of power once the peace forces pull out. The alliance appears to be ruling out re-arming the Bosnians, and favours disarming the stronger armies, but new discussions on all arms control issues are now scheduled to take place in Bonn.

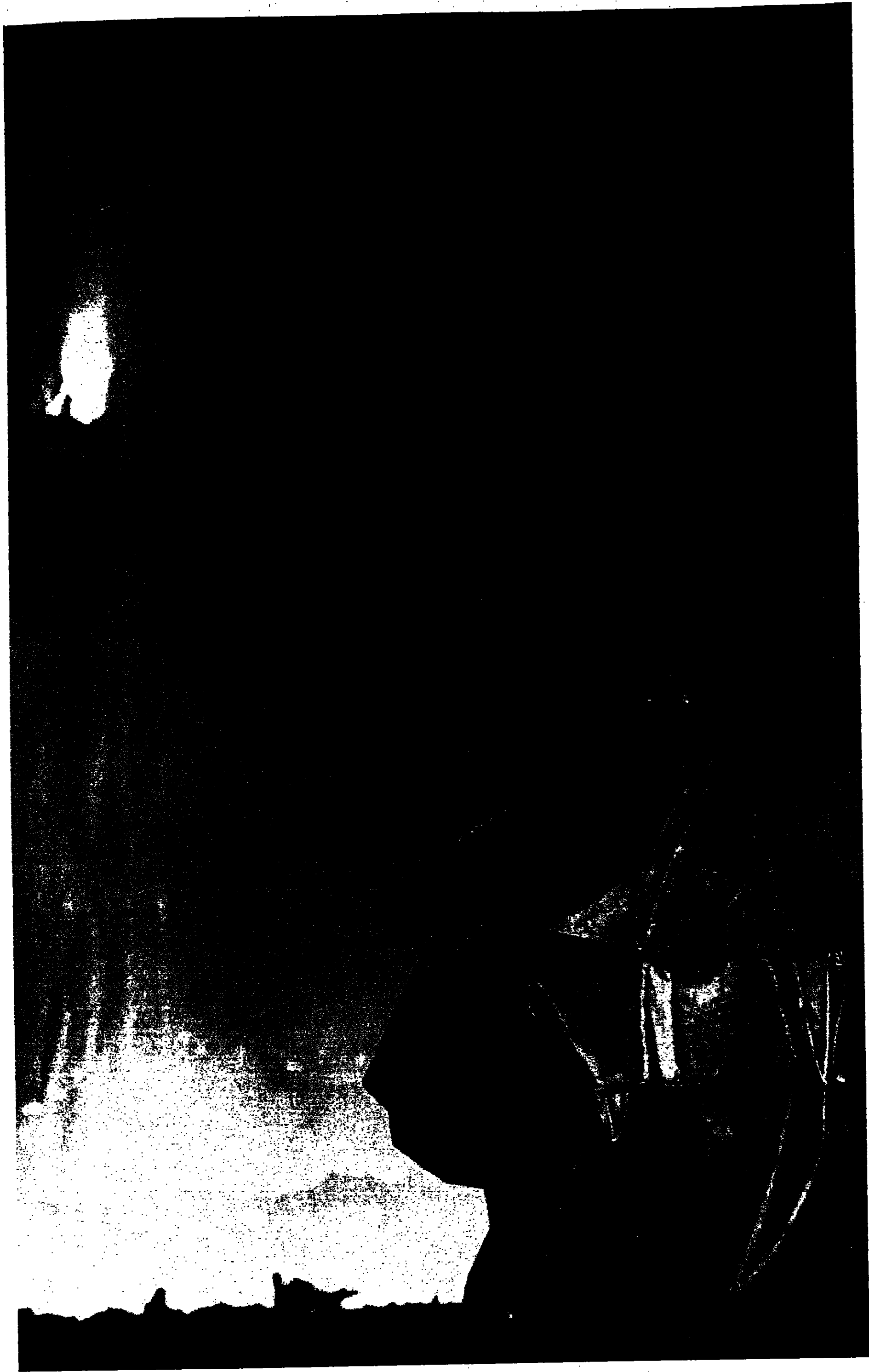
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French rail strike: Eurostar in the sidings as unions reject plan for Beeching-style reduction of the network

Trains halt as France takes axe to branch lines

MARY DEJEVSKY
Paris

French railwaymen, who have been on strike since last Thursday evening, hardened their action yesterday, halting all mainline and suburban services across the country and halving the number of Eurostar trains between London and Paris and Brussels. Their leaders had parted angrily with management representatives late the night before, after a fourth meeting to discuss a restructuring plan had failed to produce any agreement.

Where previous days had seen between one in four and one in six inter-city trains running, yesterday the lines were deserted. Even the high-speed trains, whose sleek lines, fabulous speeds and punctuality have combined to become a symbol of French success, remained in their sidings.

The railwaymen began their strike as part of last Friday's national day of protest against the government's plans to reform the social security system. The railwaymen had an additional grievance, which encouraged them to prolong last week's strike "indefinitely". This was the government's five-year

"development project" for the railways, called the "1996-2000 plan", which could do to French railways something akin to what Richard Beeching did to Britain's railways 32 years ago. France still operates 20,000 miles of railway lines, a network little reduced since the 1960s. The political importance of the countryside, regional fields of politicians, a reluctance to take on the unions and the decision of successive governments to keep local services, in part to offset the unpopularity of the new high-speed train lines in the rural areas they scarred, all militated against a Beeching-style reform.

Now, though, the government and SNCF management, headed by Jean Bergougnoux, have decided to call time. SNCF has been described by the Transport Minister, Bernard Pons, as "the most indebted, most subsidised company in France", with an accumulated debt of 175bn francs (£21bn) and an annual government subsidy running at Fr50bn. Despite a 40 per cent (70,000) reduction in staff over the past 10 years, total staff costs have risen, with the elite high-speed train drivers earning 30,000 francs a month for a 35-hour week, and all drivers entitled to retire at 50.

The most hotly contested of the restructuring plan's elements do not concern working conditions but the regionalisation of many lines. Thousands of miles would be lopped off the national network and transferred to the regions, initially with an accompanying subsidy. Railwaymen believe many lines would be closed, causing the eventual loss of thousands of jobs; townspeople and villagers see the end of their most visible link with the world. The



Fired up: French railway worker holding a flare in front of a high-speed TGV at Lille after it was blocked by demonstrators

Photograph: Reuters

Other measures include a standardisation of management structures across the regions - entailing more job losses - and the separation, to comply with European Union regulations, of operating and infrastructure costs. SNCF will also be expected to market itself more energetically to reverse a decline in traffic in recent years. To anyone in Britain, the arguments on both sides will have a very familiar ring. The rail campaigners cite the social value of the railways in country areas, the need to improve services if people are to use them, and the environmental friendliness of rail transport.

Government officials argue that annual receipts are hardly more than the government subsidy and that there are many areas where coaches, so far a comparatively underdeveloped sector in France, would be cheaper. They say that fewer debts would mean more investment in services.

Ministers stress that there are no plans to privatise the railways, as in Britain or Germany. SNCF, they say, will remain a single, nationalised company. The regionalisation of branch lines, however, could amount to the same thing, except that local authorities rather than central government will have to

take the political flak for privatisation or closure. On Tuesday, the government offered two olive branches to the unions in the form of an assurance that the "special nature" of railwaymen's pension rights would be preserved and an offer to take over Fr37bn of SNCF's total debt, with more in return for productivity improvements in 1996. Railwaymen's representatives rejected the proposals, insisting they wanted the preservation of their current pension rights intact, and that Fr37bn would hardly dent the Fr175bn debt.

Railwaymen at Strasbourg yesterday said they would return to work, as increasing exasperation among commuters suggested the strike could soon be very unpopular. Mostly, however, the strike remained solid, with government, management and unions waiting to see who would blink first.

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IN BRIEF

Tutu heads Truth Commission

Pretoria — President Nelson Mandela named his long-time friend and fellow Nobel Peace Prize winner Archbishop Desmond Tutu to head a new Truth Commission, considered crucial to racial reconciliation in South Africa. The 17-member panel will gather evidence of apartheid-era crimes committed by government security forces and anti-apartheid groups such as Mr Mandela's African National Congress, and recommend if people confessing their roles should receive amnesty. Former white rulers, including Deputy President F.W. de Klerk, fear it will focus on the apartheid police and military instead of dealing equally with both sides. AP

Greek PM hangs on

Athens — The Greek Prime Minister, Andreas Papandreu, who remained on life support systems, was said to be in a "difficult" condition, but doctors denied reports that he was clinically dead. AP

Suu Kyi snub

Rangoon — Burma's dissident leader, Aung San Suu Kyi, said her National League for Democracy would not join efforts by Burma's military rulers to shape a new constitution. Instead, she demanded that the generals begin dialogue with the democratic groups. AP

Gestures to PLO

Hebron — Israel handed over the body of Ismail Hassan, a PLO guerrilla, to his family, 18 years after he was killed in a clash with the army. Reuters

Air show of force

Hong Kong — China's air force is planning a large-scale training exercise aimed at pressuring Taiwan before it holds its first direct presidential election next March. Ming Pao newspaper reported. AP

Red tape clipped

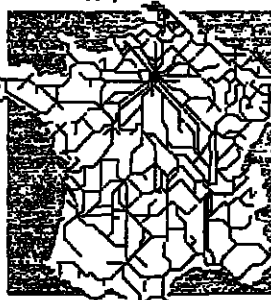
Washington — The Senate voted to abolish the Interstate Commerce Commission, the oldest federal regulatory agency in the US, and transfer its functions to the Transportation Department. Reuters

Dingo baby plea

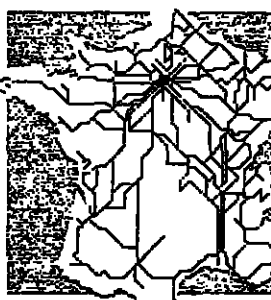
Canberra — Michael and Lindy Chamberlain, whose baby daughter Azaria disappeared at Ayers Rock 15 years ago in one of Australia's most bizarre mysteries, asked a court to rule officially that the baby was snatched by a dingo. Reuters

Doctor Beeching comes to France

French railways now (virtually unchanged since 1960s)



France after threatened cuts?



Britain 1959

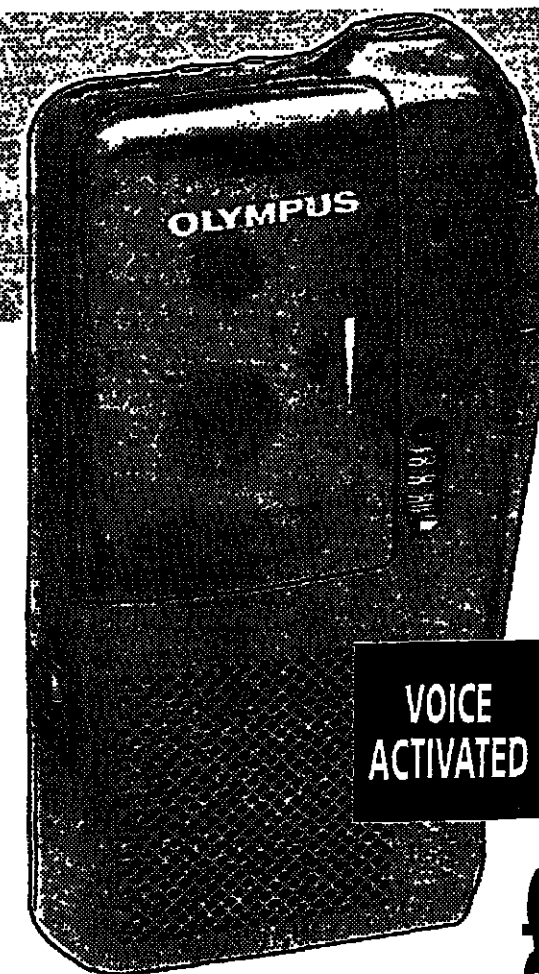


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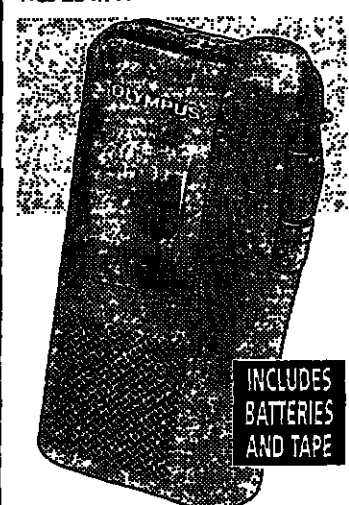
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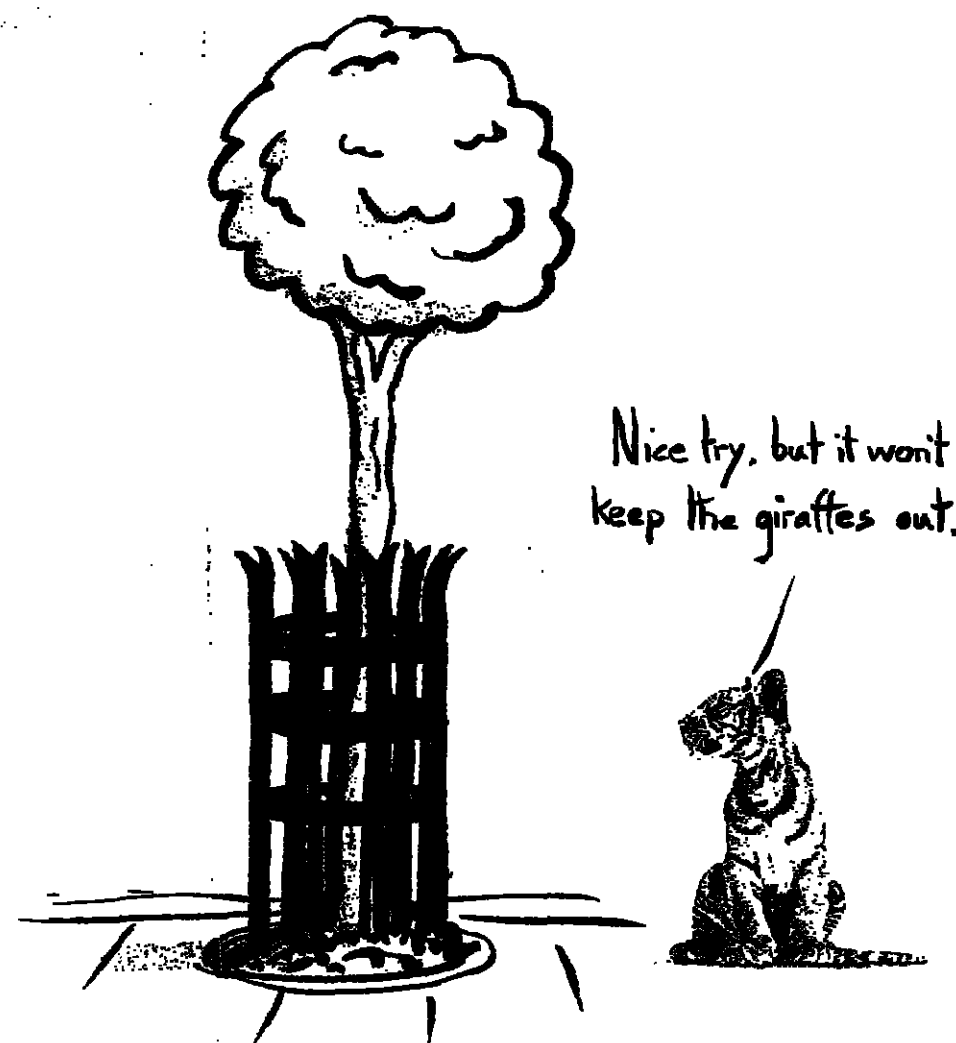
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Ogoni spirits unbroken by new repression

A pall of fear hangs over this land, still blighted two years after the departure of the oil giant Shell by oil spills and the ugliness of rusting pipes crisscrossing the fields.

Repression in Ogoniland has intensified after the execution of the writer Ken Saro-Wiwa and eight fellow Ogoni civil rights activists by the Nigerian military regime.

At military checkpoints along main roads local people are being harassed and money extorted from them. Travel is restricted and public meetings have been banned. Supporters of Ken Saro-Wiwa's Movement for the Survival of the Ogoni People (Mosop) claim that more than 50 teachers, pastors and other prominent community members have been arrested and detained in the past two weeks.

"People here are terribly frightened since the executions," Benjamin, a primary school teacher in the village of Kghara Dere, known locally as K Dere, said. "The place is now full of the military and we're afraid they could kill us at any time."

This is the heart of Ogoniland, a rural backwater populated by farmers and fishermen. K Dere is one of the main villages in the Gokana area, where the eight men who were hanged alongside Ken Saro-Wiwa came from. It is also the home area of the four Mosop members for whose murder last year the Ogoni Nine were convicted.

"We are suffering a lot now," Lekye, a teacher colleague of Benjamin and, like him, a supporter of Mosop, said. "The Ogoni people are not free to express their views. Mosop has been driven underground. There are soldiers and government agents all around. In the Gokana area alone there are now 3,000 soldiers. If you say you're a supporter of Ken Saro-

Witness...



David Orr reports on the Nigerian army's brutal reign in Ken Saro-Wiwa's home territory

Wiwa you will be arrested and jailed. We're not even allowed to mourn his death."

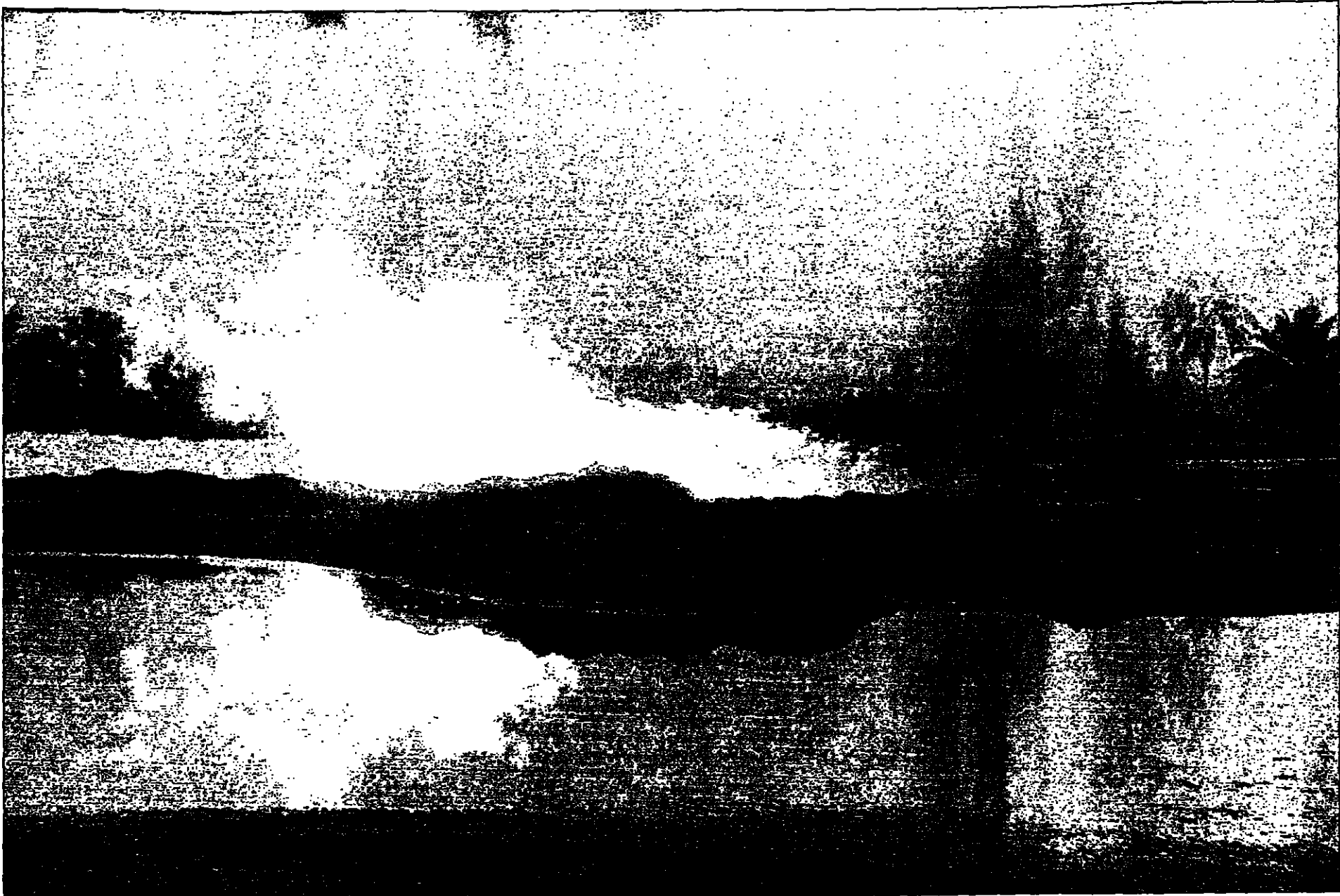
Benjamin is preparing a report after a recent meeting between the headmasters of Ogoni schools and Major Obi Abel Umahi, who in effect rules Ogoniland as head of the Internal Security Force in the region.

Major Obi has issued a directive prohibiting staff meetings and bringing all school activities under the military. Priests have been warned that their sermons are being monitored and that any mention of Saro-Wiwa will be punished.

The military fears that teachers and other educated people in Ogoniland are fomenting unrest. Nuns at one convent were so traumatised following a visit in recent days by the State Security Service that they were too frightened to speak to the *Independent*.

Major Obi denies that Mosop is being outlawed and said the organisation's claims were propaganda to discredit the Nigerian government.

Ogoniland is a small densely populated region of half a million people on whose behalf an environmental and economic rights campaign was led by Saro-Wiwa. He claimed that more than three decades of oil exploration and drilling by Shell had devastated the land and deprived the people of wealth in which they should have shared. His calls for self-determination and a greater share of oil revenue from the government proved to be his undoing.



Polluted: This is a land that is still blighted by oil spills and ugliness

Photograph: Tim Lambon/EPL

Through the environmental degradation is perhaps not as bad as Mosop would like to make out, unwelcome reminders of Shell's operations still litter the lush landscape. At one location on the outskirts of K Dere, hissing gas leaks from a rusted well head. Not far away is another well head which started seeping oil into the ground last year. It stopped suddenly but locals fear it could start again at any time.

Shell said it was too dangerous for its staff to go into Ogoniland for repair work on oil

installations. The company said it used contractors for such jobs. Shell admits responsibility for three-quarters of the oil spills in those parts of the Niger delta where it is still operating. But it claims that in the last eight years of its presence in Ogoniland, 69 per cent of oil spills there were caused by sabotage.

"We haven't seen the same level of agitation against Shell and the government as in Ogoniland," Egbert Imomoh, general manager of Shell's eastern division in Nigeria, said. "The Ogoni's demands have gone

further than those of other minorities. There was widespread sabotage in Ogoniland and we don't pay compensation in such cases. Our staff and equipment were facing so much danger that in the end we decided to withdraw."

Shell has in recent years mounted a vigorous community aid programme in an effort to win over inhabitants of the oil producing areas. School blocks, health centres and roads have been built. And significant sums of money paid out where oil production

operations are taking place. The people of K Dere, however, claim that all they have got out of Shell has been one school block and some classroom equipment. They say that only one local man was employed in a senior staff position by Shell.

"We used no violence against Shell employees," Benjamin insisted. "But if Shell comes back then things could get violent. Mosop has always been a peaceful organisation. Although it's been suppressed, it's still in our minds. We now feel very aggressive towards Shell."

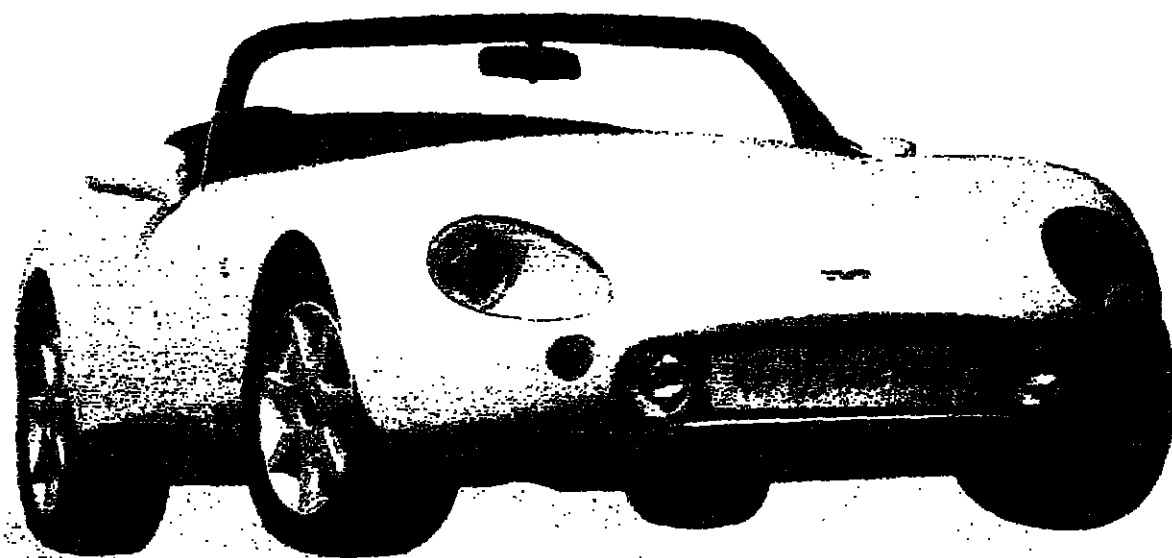
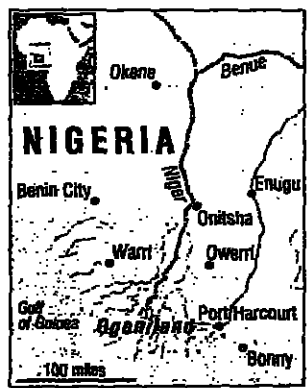
For its part, the world's largest oil company has resolved not to return to Ogoniland without the good will of its inhabitants.

Shell, which operates in the Niger delta as a joint venture partner with the Nigerian government and two other European oil companies, is regarded as a collaborator with successive repressive regimes including that of General Sani Abacha who has been in power for two years and is set to stay for at least another three.

The Nigerian government is

conducting a policy of wilful neglect in Ogoniland. Schools, health centres and roads are in an appalling state of disrepair. Services such as electricity and telephones are largely non-existent.

The people face levels of persecution which are extreme even by the abysmal standards of the current military regime. There is little evidence, however, that the Ogonis have been cowed by the execution of their hero, Ken Saro-Wiwa. If anything, they are more ebullient than ever.



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Rules as previously published.

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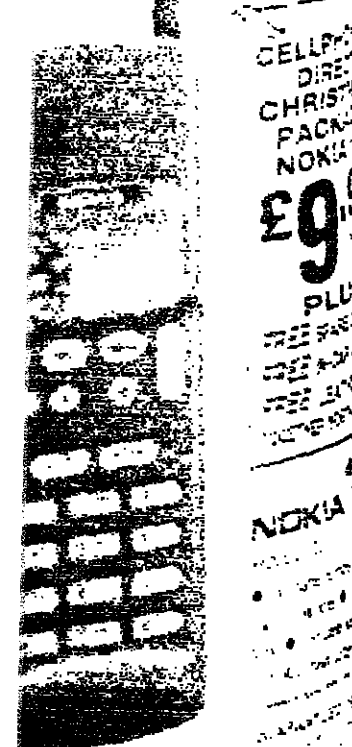
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the speech

CHANCELLOR'S ADDRESS

Tax and spending policies 'aim to make

INTRODUCTION

The British economy has now been growing for almost four years. The recovery has created more than half a million new jobs. We have more people in work than any other major country in the European Union. Inflation is enjoying its best run for almost 50 years.

All the major Western economies have slowed this year but our recovery remains stronger than most. The IMF has forecast that next year we will be top, with Germany, of the G7 growth league table.

Few Chancellors have delivered their Budget against a background of such strong economic fundamentals. But getting this far has not been easy. It has required tough decisions on tax and spending over the past three years.

This Budget builds on the hard-won gains this Government has made, and keeps Britain on course to be the enterprise centre of Europe.

A Britain that creates more jobs and generates the greater wealth and personal prosperity in which all can share. A Britain in which everyone can keep more of what they earn or save to spend as they choose not as the state chooses. A Britain where more money is spent on the things that everyone cares about - our schools, our hospitals, our police.

This Budget addresses the aspirations of the people of this country in an economically and socially responsible way. It controls public spending overall while shifting more money towards schools, hospitals and the police. It keeps government borrowing on a clear downward path and fiscal policy tight so



that the recovery will be sustained. And it cuts taxes.

ECONOMY

The Recovery

In 1994 the economy grew by around 4 per cent, fuelled by the success of British exporters overseas. No mature industrial economy could easily sustain these rates of growth without risking a rise in inflation. That is why towards the end of last year I raised interest rates.

In the event, slower growth in the world economy has reduced the growth of British exports. British exporters are well placed to compete in markets overseas. For example, we now have a current account surplus with the so-called tiger economies of South-east Asia. But our key markets in America and Europe are growing by less than they were in 1994.

Growth will be sustained because the fundamentals of the economy are strong as a result of our economic policies. We have low inflation, sound public finances and more competitive businesses. The change in the pace of growth this year is not unique to Britain and has been seen in the US, Germany and elsewhere. No recovery ever proceeds at a constant rate of growth throughout. In fact, the recovery is proving to be the steepest seen in Britain for a generation.

Many commentators confidently predicted that the higher tax and lower public spending of the last three Budgets would knock the recovery off-track. They were wrong. Consumer spending has been on a firm upward trend since the recovery began. With the tax increases behind us, consumer spending should grow further next year and the year after.

Businesses have responded to the economic recovery by investing for the future. Manufacturing investment has grown by 12 per cent over the past year. The conditions for further increases in investment - low inflation, low interest rates, low corporate tax rates, and healthy company balance sheets - remain in place.

For the economy as a whole, the forecasts published in the Red Book are for growth this year of 2.75 per cent, and 3 per cent in 1996.

My last two Budgets have strengthened the foundations of the economy and put the recovery onto a secure footing. I have reduced public spending and borrowing plans to create more room for the wealth-creating part of the economy to grow. I have helped businesses. And I have improved the working of the labour market.

The decisions I took and the policies I pursued in those Budgets have helped to reduce pressure on me to increase interest rates further, without jeopardising my inflation target.

Inflation

Inflation has picked up over the past year as the impact of last year's world-wide increase in commodity prices has fed through the price chain. But these cost pressures are now easing.

Underlying inflation may be close to its peak and should resume its downward path during next year. It remains on course to meet the Government's target of 2.5 per cent or below by the end of this Parliament.

The public finances We have got the public finances under control. The Government has delivered last year's tough public spending plans. Indeed, we expect to undershoot them. However, tax receipts have come in lower than expected this year, partly due to lower inflation and to lower growth.

The Public Sector Borrowing Requirement (PSBR) is the difference between two enormous numbers so that forecasts for public borrowing have always been notoriously difficult to make. I have, therefore, been cautious and prudent this year in setting out the latest projections. I now expect the PSBR to be £29bn in the current financial year. That will be £7bn less than last year and £16bn less than two years ago.

Overall, our decisions on public spending and the tax measures I shall describe shortly will be broadly neutral in their impact on the downward path for the PSBR over the next three years. This downward profile for government borrowing sets the overall framework for my Budget this year. I am not prepared to take any action which would put at risk my fiscal target of moving towards balance in the medium-term. I had to make the difficult judgements and decisions about the balance between the levels of taxation and public spending.

This year, as in previous years, I have made those judgements and taken those decisions with the dominant priority of improving the long-term health of the British economy. Our tax and spending policies must promote our aim of becoming the enterprise centre of Europe.

PUBLIC SPENDING

In each of my three Budgets I have reduced public spending plans substantially. This year, I have once again kept a firm grip on public spending, helped by my Right Honourable Friend, the Chief Secretary. My Right Honourable Friend and I have at least three things in common. We have both been in charge of big spending departments so we are both peacocks turned gamekeepers. Neither of us could be described as adopting the slash-and-burn approach to public spending. But we are both convinced that the share of national income taken by the state in public expenditure must be reduced to below 40 per cent if we are to remain competitive.

It is essential to give the private sector more room to generate the jobs, the investment and the wealth that will make people and their families more prosperous. This goes hand in hand with our commitment to a modern welfare state.

In the rapidly changing world of technological advance and a more flexible labour market, the British people need to be prepared and equipped to embrace change in a flexible way. They will be more willing to do this if they know that high-quality schools, health care and a safety net for the unemployed, the disabled and the old are there if and when they need them. That is why we are modernising the welfare state so that it underpins the British economy, and does not undermine it. We are changing the welfare state to ensure that it serves the needs of today not of 40 years ago.

SKETCH

Outside the Houses of Parliament, as the Chancellor made his way from No 11 Downing Street, a group calling itself the 'Welfare State in Danger Collective' was offering up last minute advice in the form of a terrace chant.

As big a fan of plain speaking as he may be, though, you felt "Eh, you Tory gits, give us back our benefits" was unlikely to stimulate a sea-change in Kenneth Clarke's thinking. Indeed, as he took up his position at the dispatch box - as always a walking endorsement for the British suede shoe industry - Mr Clarke seemed unfazed by the pleadings of special interest groups echoing in his ears.

Even those from the group



Taxing time: Kenneth Clarke takes a pause at the dispatch box yesterday

ago. That it serves those who genuinely need it. And that it is affordable to the taxpayer.

These objectives are being achieved in the face of huge pressures for higher public spending year after year. But this Budget proves that we can have good quality public services and spending control. Unlike our critics we understand that good services depend not only on how much you spend, but on the way that you spend it.

This realistic but socially responsible approach has guided me this year. I have limited the growth of spending overall. But I have also provided more money for the public services the British people care about most - schools, hospitals and the police. To pay for this the Chief Secretary and I have found savings elsewhere from our continuing drive to modernise government. Let me deal first with the priority areas where I have been able to increase spending plans.

National Health Service We are continuing to deliver our commitment to increase NHS spending in real terms. That is what we said we would do and we are doing it. Public spending on the NHS will increase by over £1bn next year. In addition, patients will benefit from improvements in

efficiency, including reductions in NHS management costs. All these savings - around £650m next year - will be ploughed back into patient care. And privately financed projects will bring nearly £700m of extra investment over the next three years without in any way undermining the fundamental principle that health care should be free at the point of service. This money is on top of the additional £1bn public expenditure and it all represents additional resources for our free NHS.

Schools This Budget allows for spending on schools to rise next year. The plans I am publishing today allow for an increase in spending on schools of £878m. Within this, over £770m will be channelled through the local authority settlement. Parents will rightly expect local authorities to carry this funding through to school budgets and they should ask their local authorities how this extra money will be spent on their children.

Police Since 1979 spending on our police has almost doubled, even after allowing for inflation. Next year, the resources available to fight crime will be increased again. Money is being provided for an extra 5,000 police officers over the next three years. This is on top of the 32,000 increase in the police service since 1979. The plans also allow for an extra 10,000 closed circuit TV cameras in town centres and elsewhere.

I have found these resources for important programmes because we are changing government to make sure it meets the needs of people today, not of 30, 40 or 50 years ago. We are cutting government bureaucracy, cracking down on fraud, getting government out of activities it need not be involved in and using private sector skills and finance to provide better public services.

That is the hallmark of a government looking to the future needs of a modern industrial state. Running costs In my last Budget I cut provision for central government running costs by 10 per cent in real terms over three years. This year I will go much further

on top of that. The cash cost of Whitehall will be £86m lower in three years time than it is today. In real terms, this represents savings of 12 per cent, which is equivalent to a saving of nearly £2bn a year. But we must never delude ourselves that more resources for schools, hospitals and police as well as tax cuts can be paid for just by eliminating waste in the public sector. Life is not that simple. We have also had to look elsewhere.

Social Security Three years ago, before the Secretary of State for Social Security skillfully put in place a programme for long-term reform, we were expecting social security spending to grow by over 3 per cent per year in real terms. We now expect real growth in planned spending of around 1 per cent per year over the next three years. This reduction in growth will build up year on year to a cash saving of huge proportions. The changes are an assurance for future generations. We are going to leave our children a welfare system that works and which they can afford.

The Secretary of State for Social Security will announce the details of this year's settlement to the House tomorrow (Wednesday). The increases in social security spending next year will be well within the growth of the economy. We will ensure that all that spending represents legitimate spending on people in genuine need.

That is why my Right Honourable Friend will give details of a further intensive campaign against fraud. He will also announce measures which will mean people who apply for asylum on arrival in the country will cease to receive benefits after an unfavourable adjudication.

Steps to close the gap between single parent's benefit and those paid to other families. Will also be announced. The right approach to single parents is neither to penalise them nor to favour them. The costs and responsibilities of having children are the same for couples as they are for single people.

We intend to build on our previous measures to help more mothers move from benefit dependency into work. Measures to encourage work, including a further increase in the childcare allowance in family credit from £40 to £60 a week, will be announced.

Next, housing benefit. The housing benefit system should not be an inducement for young people to leave their families before they need to. My Right Honourable Friend will announce measures to restrict the amount of housing benefit paid to single people under 25 to a maximum that more sensibly reflects their circumstances. The benefit system should offer a real incentive to young people to rent within their means, improving their incentives to work.

It is by restricting spending in these areas that we can protect people in greatest need and stand by our pledges on pensions and child benefit. This Government has acted decisively to put in place policies to bring social security spending under control. Let no one underestimate what we have done. Measures announced in my three Budgets will reduce planned social security expenditure by £5bn a year by the end of the century.

Other programmes Social security is a good example of how more money can be found to be spent on areas we care most about, by trimming back elsewhere. In practically every department we have found significant savings while protecting the frontline of public service delivery.

We have found further efficiency savings in defence, while maintaining our commitment to a strong frontline. And in a tight public spending round, the allocation for bilateral aid is likely to be little changed from that set out in last year's departmental report. British bilateral aid is internationally recognised for its high quality, and for the substantial share going to the poorest countries in Africa and Asia. This will continue.

But it was income, not imbibing, tax that they really wanted to hear about. And Ken kept them waiting till the last. When he said "finally I turn to my proposals on income tax", the shuffle was audibly redistributive way he proposed to alter the tax burden in the drinks industry. Up went the duty on strong cider (the underclass's drink) down went the duty on whisky (the toffs' tipple).

No self-interest there, you understand, simply prudence and an attempt to stimulate enterprise in Scotland. The manner in which, at that point, he took a gulp of brown liquid and rolled it round his mouth with a connoisseur's expertise, was merely coincidental.

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We are also doing more to get the Government out of activities it simply need not be involved in. The Secretary of State for Defence is today announcing his intention to transfer ownership of the MoD married quarters estate to the private sector. This will improve the management of the estate. We also plan to privatise the Housing Corporation Loan Book, and to encourage banks to provide Student Loans.

Private Finance There are many services that the Government has a duty to ensure are provided as public services, but where private sector management skills and expertise can improve delivery. This is where the Private Finance Initiative (PFI) comes in. Under the PFI the public sector does not simply sign a contract to buy a prison, a train or a computer system. It pays to have specific services supplied at guaranteed levels of performance - available prison places, trains running reliably on the Northern Line, National Insurance records kept up to date. The Government chooses the quality services the public require, and then goes out and acquires those services from private companies with the finance and expertise to deliver.

The key point is that the initiative delivers infrastructure projects of higher quality at a lower overall cost to the British taxpayer. That is because the private sector puts its own money at risk and brings its own management skills to bear.

The initiative means that better public services will be provided by better private means. We expect actual capital spending under the PFI to be around £2bn per year and rising over the next three years. We expect to have agreed contracts worth at least £14bn by the end of 1998-99.

This money is replacing old-style public-sector capital spending and can deliver big gains in value for money for the taxpayer. The PFI is delivering better quality projects. For example, the PFI contract for Northern Line trains specifies reliability levels nearly four times above the best fleet currently operating on London Underground. The service we will get from the new National Insurance records system could have cost up to 10 times what we will pay under the privately financed deal we have struck.

As a result of these flows of private finance, we have been able to find savings in publicly financed capital while maintaining high levels of investment activity and high-quality investment. Four projects demonstrate the extent to which the PFI is spreading to all parts of government. First, I can announce a huge new package of privately financed roads, five new projects with a capital value totalling £500m. Second, the Secretary of State for Health has announced today that a £35m deal is going ahead to modernise two hospitals for the South Buckinghamshire NHS Trust. Third, we are tendering for the refurbishment of Lowdown Grange prison, a £50m project to add to the two new prison-building contracts at Bridgend and Fazakerley, which will be signed shortly. Finally, full bids will be due on 5 December for the £45m water project in Inverness and Fort William. The Financial Secretary will publish more details tomorrow.

Challenge Funding Challenge Funding invites groups to compete for public funds to improve local services. That way the quality and value for money of public services is improved. In the first Single Regeneration Budget Challenge Fund bidding round, every £1 of public money attracted another £1 of private funding. £250m has been made available for the third and fourth bidding rounds.

Before moving on to direct tax, let me run through my proposals for indirect taxes. Landfill tax Last year I proposed a new Landfill tax, a charge on the disposal of waste in, for example, tips and old quarries. This will come into effect on 1 October 1996, charged at a standard rate of £7 per tonne and a lower rate of £2 for inactive waste.

The money raised by the Landfill tax will allow for a matching cut in the main rate of employers' National Insurance contributions by a further 0.2 per cent to 10 per cent from April 1997. This will cut the cost of employment by £300m and make it cheaper for businesses to create new jobs.

Road fuel From 6pm this evening, tax on petrol and diesel will rise by 3.5p a litre. I also plan to increase the tax on super unleaded petrol by a further 4p next May. This reflects its higher emission of pollutants such as benzene and the dangers to the revenue of

Continued on page 17

This will help regenerate many areas, including inner cities. And over £300m of Challenge Funding will speed the transfer of deprived housing estates to housing associations and other private landlords.

Challenge Funding has enormous potential for projects of all kinds. The Secretary of State for the Environment is considering more Challenge Funding for a wider range of local authority capital provision, and will be making an announcement later this week.

Budget strategy Public spending as a share of national income varies yearly but under this Government's policies over the past 16 years the trend is downward. In the mid-1970s, total public spending peaked at 47.25 per cent of national income. The next peak reached 45.5 per cent in the early 1980s; the last peak was 43.5 per cent in the recession of the early 1990s. I expect total public spending to be 42 per cent of national income this year.

When I became Chancellor I said we should aim to push the ratio below 40 per cent and keep it there. The decisions I am announcing today will achieve that aim. The ratio will be below 40 per cent from 1997-98 onwards, far below any other major European country. Controlling public spending is crucial to our goal of making the economy more successful and the enterprise centre of Europe.

I have now taken £53bn out of projected public spending in my three Budgets. I judged this necessary to reduce government borrowing following the international recession of the 1990s. Even with the extra money for schools, hospitals and the

police, I now expect planned public spending to be kept broadly unchanged in real terms over the next three years.

When we first set out our public spending control totals three years ago, most pundits did not believe we would stick to them. The doubters have been proved wrong. Not only have we stuck to our plans, I have managed to reduce them again, for the third year running. Next year, the control total will be £3.25bn below the level set in this year's Budget. That is £12bn below the level we expected for that year when I became Chancellor.

Having reviewed the latest projections for public borrowing in the light of those decisions I have concluded that we can now return to the task of starting to cut taxes again. I am able to make tax cuts broadly equivalent to the spending reductions, with government borrowing still falling to zero by the end of the decade.

After the Budget measures are taken into account I expect the PSBR to continue to fall at roughly the rate we have now achieved in the last two years. I expect it to fall from £29bn this year to £22.5bn in 1996-97 and £15bn in 1997-98. Broad balance should be reached after a further two years. The financial deficit is now expected to be close to the Maastricht reference level of 3 per cent of GDP in 1996-97, and to fall well below it in subsequent years.

So fiscal policy will remain tight. That is why the measures in this year's Budget are economically and socially responsible. I have made clear all along that every Budget I deliver will be dominated by the long-term interests of the economy.

INDIRECT TAXES Before moving on to direct tax, let me run through my proposals for indirect taxes. Landfill tax Last year I proposed a new Landfill tax, a charge on the disposal of waste in, for example, tips and old quarries. This will come into effect on 1 October 1996, charged at a standard rate of £7 per tonne and a lower rate of £2 for inactive waste.

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Cuts fail to spark old bangers on the back bench

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As big a fan of plain speaking as he may be, though, you felt "Eh, you Tory gits, give us back our benefits" was unlikely to stimulate a sea-change in Kenneth Clarke's thinking. Indeed, as he took up his position at the dispatch box - as always a walking endorsement for the British suede shoe industry - Mr Clarke seemed unfazed by the pleadings of special interest groups echoing in his ears.

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Jim White calling itself "Tory Backbenchers in Danger" lined up behind him. Mr Clarke was anxious, he said - and since he said it 10 times in an hour-long speech you have to assume he

meant it - not to do anything imprudent which might scupper his objective of turning Britain into the enterprise centre of Europe.

Prudence, however, was the last thing on the mind of those scanning the broad acreage of his back - looking for points of entry for sharpened blades, perhaps. Risks, big gestures, a machete taken to income tax: that was the kind of thing they wanted to hear.

Mr Clarke gave them none of it. "Let me deal briefly with the economic background to this Budget," he said instead. At which the Turret's Syndrome responses from both sets of benches, the uncontrolled yelps and barks that had greeted his arrival, waned.

Silence fell, the shadow Chancellor, Gordon Brown, started to rifle through the small library of papers on his knee. Tony Blair took the first of a dozen gulps at his glass of water, in the over-flow benches up in the balcony, a Tory - who had clearly given up all hope of reelection - took the opportunity to sleep off his long lunch.

It was that kind of speech. Occasionally, Mr Clarke stimulated a ripple of reaction as he presented his plans: the extra money for schools, hospitals, and police surveillance cameras; the cuts in benefits for the young, the poor and the non-Tory voters to pay for it.

Less often his own team would cheer, like at the announcement of the character-

istically redistributive way he proposed to alter the tax burden in the drinks industry. Up went the duty on strong cider (the underclass's drink) down went the duty on whisky (the toffs' tipple).

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If you do that again, you'll pay for it

Budgets are not always simply about balancing the books: there is often a subtler reasoning at work in the implementation of taxation policy. Whether it be drinking, driving or getting married, governments over the ages have tried to change our behaviour in numerous ways through taxation and spending. If you

place a heavy tax on something, you make it more expensive, and discourage people from doing it. Taxing things which damage the environment is a good way to make individual firms and families take account of the wider consequences of their actions. By taxing leaded petrol more heavily than

unleaded petrol, we are forcing drivers who use the leaded variety to pay for the extra discomfort they are causing others. Government also uses taxation to promote particular values. Very high tobacco taxation is supposed to discourage smoking. Some politicians even argue that the tax and benefit system pro-

motes lone parenthood by giving lone mothers extra money. But a word of caution: it is easy to exaggerate the power of tax. General social and economic trends are often much more powerful than the tax system. In the end, the reason the Treasury taxes "undesirable" activities is to raise money

without raising too many complaints. Here, Paul Johnson and Sarah Tanner from the Institute for Fiscal Studies investigate government arm-twisting by taxation; and we offer some reminders of past more-or-less batty attempts to change us via the pennies in our pockets.



1698: Peter the Great imposed a beard tax in Russia, possibly because beards were considered unhygienic. It was also a form of wealth tax: the rich were more likely to sport beards.

HEALTH

Imposing excise duties on cigarettes and alcohol is often justified on health grounds; high taxes provide the "stick" by which the Government can beat down the level of unhealthy smoking and drinking. In recent years these "sin" taxes have been much more punitively directed against

MARRIAGE

It was not until 1990 that the income tax system recognised married women as independent earners. Until then our system of taking income jointly treated married couples as a single unit. But married couples this week received more generous allowances than those for two single people. The move to independent taxation in 1990 was one of the biggest structural changes of recent years. Many Conservatives are now worried the tax system favours "living in sin" above marriage. The value of the married couple's allowance has more than halved since 1990, but it still exists. Whether anybody is spurred into marrying for the sake of £5 a week tax reduction is, however, doubtful.

ENVIRONMENT

The Government is committed to taxing us to force us to comply with its environmental goals. For instance, reducing carbon dioxide emissions was one reason given for the controversial move to VAT on domestic fuel. And last year the Chancellor announced plans for a new landfill levy – a tax on dumping waste – effective from October 1996.

1696: Houses were taxed according to the amount of light they let in. Window tax remained in force until 1851. Windows are highly visible, so assessing each householder's bill was easy.

SAVINGS & HOMES

John Major described his only Budget as Chancellor as a "Budget for savers". He followed a long tradition of Conservative chancellors who tried to persuade us to save more –

LEISURE & CONSUMPTION

The Government uses the stick of high excise duties to dissuade us from buying cigarettes and alcohol. But in other areas it uses the carrot of not charging VAT. The standard rate of VAT is 17.5 per cent, but food, books and children's clothes, for example, are exempt from this tax.

This is for two reasons. The first is distributional: poorer people spend a much higher proportion of their income on food than do richer people (though that did not stop Norman Lamont from trying to impose VAT at the full rate on domestic fuel). And, though families are encouraged to buy children's clothes, they are not encouraged to buy sweets which, like biscuits (but not other foods), are taxed.

The generous tax treatment of books and newspapers is not justified on distributional grounds. They are just seen as "merit goods", which it is good for us to buy. Education, including education in private schools, is also good for us, if lack of VAT on payments are anything to go by. Until 1979, the taxman decided which

goods were luxuries and which not. Luxuries suffered higher rates of VAT, though then that meant only 12.5 per cent compared with a standard 8 per cent. Fridges and cookers were luxuries.

Betting has always had a special tax. There is a series of taxes on general betting, football pools and even slot machines. Like drinking and smoking, betting was

deemed a sin. Now we have the National Lottery, plus cuts in betting taxes so the private sector can compete.

smoking than drinking. The Government's 1992 White Paper *The Health of the Nation* announced a target for reducing cigarette consumption by 40 per cent by the year 2000. In recent budgets the Chancellor has made clear his belief that increasing the price of cigarettes is the most effective way to achieve this, and this year was no exception: real duty on cigarettes was increased by 3 per cent. Since 1979 the real value of duty on cigarettes has increased by more than 75 per cent. The real value of tax on alcohol, on the other hand, was cut this year – probably more in recognition of the growing problem of cross-border shopping. But since 1979 the real value of duty on beer has increased by only 15 per cent, and real duties on wine and spirits have fallen by about 30 per cent. Do sin taxes work? There is clear evidence that the number of smokers is falling and has been for 15 years: 29 per cent of men now smoke compared to 44 per cent in 1979. The figures for women are 27 per cent now compared with 38 per cent. While it is hard to separate the specific effect of price from more general changes in attitudes on health, evidence suggests that current and past price levels do have some effect. For the Government, however, taxing cigarettes is always a good way to raise more revenue.

1694: William and Mary taxed bachelors and widowers 1s a year. **1927:** Mussolini imposed a tax on bachelors, which he increased by 30 per cent seven years later, to encourage population growth and make the young work harder. **1991:** Those receiving child benefit received more for the first child: the eldest was seen as more costly.

neutral, social security policy has been aimed at making it more worthwhile for mothers to take low-wage jobs. Single parents receive, as well as Child Benefit, one-parent benefit. This has led to fears that the tax and benefit system favours single parents over couples with children. Until this year the war of words against lone parents was not followed up by any policy taking money from them. It is largely a myth that the tax and benefit system has altered family life. There has been a huge increase in working mothers. There has also been a big increase in single parents in the past 15 years. But neither trend has much to do with tax or benefits: other economic and social forces are much stronger.

1927: Goat tax introduced by Mussolini. **1790s:** Taxes imposed on horses, dogs, coaches and carriages. A tax on dogs was a shrewd move: people were loath to part with pets. Horses and carriages were usually owned by the rich.

In this year's Budget there was no change in the differential: duties on leaded and unleaded were both increased by 3.5p. Most cars that were going to be converted probably have been by now, and since 1993 the financial incentive has also been backed by legislation on emission standards.

there is economic virtue in a high savings culture. There are now increasing numbers of ways to save without having to pay any tax on the investment income, including through the TESSAs introduced by Mr Major. But there is no evidence that these reforms have had much effect on the amount that we actually do save: people just move existing savings from elsewhere into the tax-free accounts.

The biggest forms of savings are pensions and houses. To gain maximum benefit from pension-related tax relief, we used to have to be a member of a company occupational pension plan. No longer. Five million people have their own personal pension. The Government seems to have persuaded us that we should save for old age. But perhaps its greatest achievement for savers is the slaying of inflation.

Ironically, it might be precisely this that reduces our desire to take part in that other Conservative dream – the home-owning democracy. This was promoted through the policy of selling council houses in the Eighties, and there are more than a million more home-owners as a result. But home-owners, who faced an extraordinarily generous tax regime, have gradually seen the value of their tax breaks whittled away. These reductions have become much more pronounced since the political demise of Lady Thatcher, the last great defender of mortgage interest relief.

Diary

JOHN WALSH



Tonight an important ceremony takes place in Belfast. President Clinton flies in from London, his head full of the peace process and his luggage full of Bushmills Black Label. Then, rested and refreshed, he will switch on the lights of the city's Christmas tree before a huge crowd. (The tree is a 45-footer from Nashville, Tennessee, which cultural centre is bafflingly "twinned" – or, at least, "sister city" – with Belfast.)

I was charmed to hear of a discussion that took place between officials of the American consulate in Belfast, and a chap from the city corporation. Confirming the imminent arrival of the Prez, the consulate suggested that he'd be delighted to do the tree lights. "I'm afraid he can't," said the Ulsterman. "We've already got someone to do that." The consulate staff were nonplussed. "Who?" they inquired (John Major? Gerry Adams?). "It's de Power Rangers," said the Belfast jobsworth. "Listen pal," one American replied. "We're talking here about the President of the United States." "I know dat," said the implacable Hibernian. "But an awful lot o' people will be disappointed if dey don't get de Power Rangers... And they cost us seven t'ousand pounds." Five minutes of pulling rank later, the President's men prevailed.



Swap one of these for Clinton?

Spiff-bating rock bands. Trekkies. Sumo wrestling. Fiat trade launches – the Royal Albert Hall has taken a few knocks to its dignity in the past six years, most of them at the hands of its energetic chief executive, Patrick Deuchar.

His plans to erect a £15m pedestrian piazza under Kensington Gore, linking the hall, the Royal College of Art and the Albert Memorial, have been consistently derided by the philistines on the Albert's board. Now Mr Deuchar is presiding over another first for the Hall – he's got into bed with Harvey Goldsmith, the heavyweight king of concert promoters, and they're installing a circus for a dozen performances in January.

It's the Cirque du Soleil, that Canadian gang of supertroupsers who perform feats of balzo calisthenics and take themselves terribly seriously as a kind of adrenalinated commedia

the rock band nor the SF weirdos. "It was when we had the Bolshoi in and staged them in the round." That was offensive? "People were outraged. Ballet in the round, you see. They hated it. Apparently it's just not on to have to look at ballerinas' bottoms."

Friends who sat in at the *Irish Times* literary awards in Dublin last week report three pleasing sights. One was the weird spectacle of a President – the republic's most famous constitutional lawyer, Mary Robinson – who actually reads books and speaks about them with critical insight.

Another was the sight of the 75-year-old, blind Paddy Devlin, who founded the SDLP with Gerry Fitt only to see all his public thunder stolen by John Hume, picking up the non-fiction prize, and proving that you don't need to be part of Ireland's youth explosion to win things; third was the sight of the new Nobel laureate, Seamus Heaney, tucking his napkin into his collar before attacking his dinner, a gesture favoured by ploughmen and aristocrats from time immemorial.

Last week I mentioned the Mystery of the Stolen Letters. A month ago, the writer Fay Weldon was burgled and the only thing taken was correspondence with her former agent Giles Gordon. Now I learn that, not 24 hours after the Weldon blag, another of Mr Gordon's clients, Sue Townsend (of Adrian Mole fame), had her place broken into. Ms Townsend is no stranger to burglary.



Who's burgling Ms Townsend?

But this time they turned her house upside down, took her favourite fax machine and threw her files all over the place in a frenzy of frustration. What were they looking for? It may be relevant to point out that Ms Townsend's letters from Mr Gordon cannot be found at her home; they're all at her office in nearby Leicester. What did Giles Gordon make of his status as felon-magnet? "If two of my clients have been burgled," he says cheerily, "that leaves only 71 to go. Presumably the culprit is a literary agent manque." I should warn the villain that there's little point in trying to burgle Buckingham Palace. The Prince of Wales ceased to be a client of Gordon's six months ago.

An outbreak of unrestrained dancing, singing and communal glee has greeted the sad news that the journalist Stephen Glover has been fired from the *London Evening Standard*. One of the three co-founders of the *Independent*, and the first editor of the *Independent on Sunday*, Glover decamped to the *Standard*, from which redoubt he fired off increasingly bilious and spittle-flecked weekly salvos of contempt about his old newspaper's management, sales, design, redesign, personnel, features, destiny and anything else that occurred to him. The sleep of junior *Independent* reporters was haunted by dreams of Glover's hangdog, saturnine features, as of a permanently pissed-off undertaker, coming through the night to remark on their shortcomings.

He irritated many other people in his impossibly superior and bitchily critical media column – among them, the *Standard's* new editor-elect, Max Hastings. While not officially in the driving seat until the New Year, Hastings cracked yesterday and is said to have snarled, "I don't care how long [Glover] sits there, I'm not giving him anything to do!" Glover departs with a rumoured golden kick of £100,000 but his immediate future seems stable. He's contracted to write regularly for Hastings's old paper, the *Telegraph*, and a media column for the *Standard*. Poor Max (and the rest of us) will have to endure Glover's attacks for a while to come, albeit from a peashooter.

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The Clinton peace process

The Anglo-Irish rush to compromise before Bill Clinton's arrival yesterday recalls the old story about an occasion when Jesus was spotted wandering towards St Peter's on a donkey. "Holy Father, Holy Father, what should we do?" beseeched the panicking cardinals. "Look busy," was the pontifical reply.

There was no way that John Major and the Irish premier, John Bruton, could reasonably explain to the US President why, after 15 months of peace, all-party talks had not yet begun. And Britain, ever anxious to emphasise its sovereignty over Northern Ireland, was not prepared to let Mr Clinton gain the credit for making a breakthrough. Hence the 11th-hour deal and handshake on Tuesday night just before the US leader set off on his trip.

But the agreement is more than just a cobbled-together political fudge. The stalemate in the peace process has at last been broken. Preparatory discussions can now look at developing a framework for all-party substantive negotiations, scheduled to begin at the end of February. In the meantime, an international commission will tackle the decommissioning issue.

Most important, the relationship between London and Dublin – the rock upon which a political settlement will be built – has been secured. For several months, a worrying rift had been growing. The British government has been adamant that some arms must be given up before all-party talks could commence. Dublin is equally convinced that the IRA cannot meet such a precondition without splitting the Republican movement.

The joint communiqué recognises these differences but ensures that they do not halt political progress, at least for now.

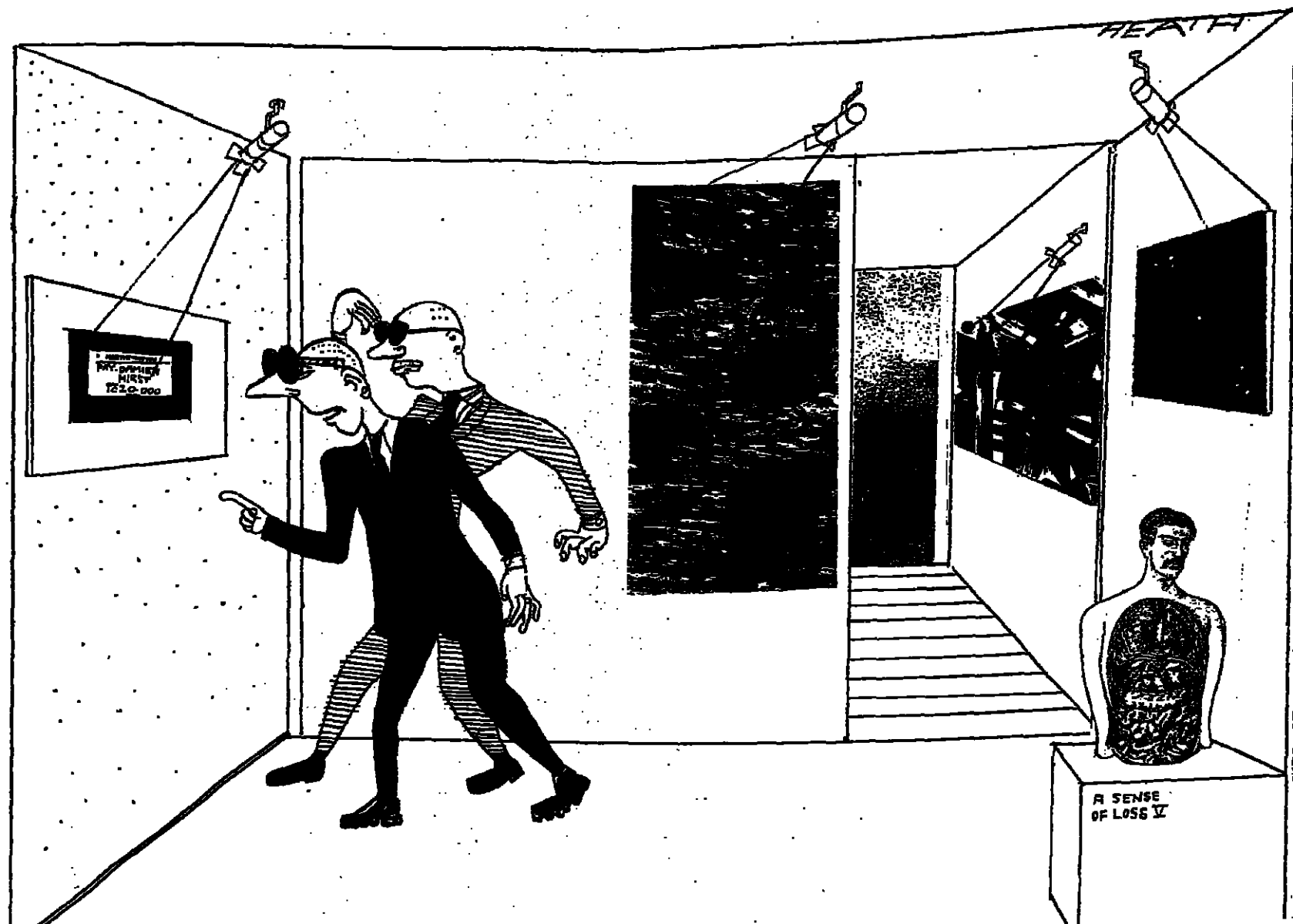
Though neither the Unionists nor Sinn Féin jumped for joy at what was agreed, the initiative serves as a safety valve for what was becoming an explosive situation.

Those who predicted that the IRA was on the brink of restarting its military campaign were probably exaggerating. Even extreme Republicans have little stomach for a return to a conflict that achieved little over 25 years. But a poisonous atmosphere had developed, as demonstrated by the bitterness of the summer marching season. In such an environment, disturbances can easily spill over in generalised communal violence. There was an urgent need for a release of tension.

The long-term problems have not gone away, though. Divisions between Dublin and London remain. It is difficult to see how the British government or the IRA could alter their stance on decommissioning without losing credibility. So, at this stage, it looks like the process will falter again early next year if the IRA refuses to hand over arms before constitutional talks.

The solution to this problem is not clear. Both sides must give a little. But the involvement of George Mitchell as chairman of the international commission bodes well. He is the former majority leader in the US Senate, well used to brokering deals with the apparently irreconcilable. He is also Clinton's man: the President will want to see the peace process healthy when he goes to the polls in search of Irish-American votes next November.

In short, the political leaders have bought themselves a little more time, the second peaceful Christmas in succession. They will have to do a great deal more than this if hopes for Northern Ireland are to be matched by reality.



That's his actual Turner Prize cheque – you can buy it for £50,000

LETTERS TO THE EDITOR

The conflict in Northern Ireland: origins and solutions

From Mr Stephen Plowden
Sir: Andrew Marr's article "In Ireland, no war is still good news" (28 November), pointing out the benefits that peace has brought to Northern Ireland, is very welcome. But even Mr Marr slips into unnecessary pessimism by accepting the argument that the province's constitutional problems are ultimately insoluble because the two communities there want mutually exclusive things.

Some people in Northern Ireland think of themselves as British and reject an Irish identity; some feel themselves to be exclusively Irish; some feel both Irish and British; others find it most natural to describe themselves as belonging to Ulster or to Northern Ireland. It may be difficult to devise a constitution that will take account of all these different identities, but it is not logically impossible.

I have previously suggested one possible solution which is that Northern Ireland should become a largely self-governing province both of the UK and of the Republic of Ireland; there may be better ones.

The problem only becomes insoluble if people say, "I want to be British (Irish) and therefore you, my neighbour, have to be so as well." But how many people in Northern Ireland are still saying that?

Yours faithfully,
STEPHEN PLOWDEN
LONDON, NW1
28 November

From Mr Simon Partridge
Sir: Andrew Marr ascribes the conflict in Northern Ireland to "the long decades of Protestant ascendancy, bigotry and discrimination". He does not seem to have noticed that it was only last week that the Irish Republic voted, by the narrowest of margins, to remove its discriminatory ban on divorce.

The underlying cause of the conflict lies in the fact that Irish nationalism does not yet unambiguously accept the right of the Ulster Protestants to remain in the UK state of which they have been a part for nearly 200 years. The dispute at heart is not one between backward bigots, it is a conflict between two supposedly democratic states.

However reluctantly, the British state in 1921 recognised the right of southern Irish Catholics to secede from it. Does the Irish state recognise the right of the Ulster Protestants to remain in the UK? If it does not, the war by proxy between the Irish and the British states played out (mainly) in Northern Ireland will sooner or later continue, as serious Irish republicans seek to give effect to the Irish constitution and the unionists to defend their position in the UK.

Yours sincerely,
SIMON PARTRIDGE
LONDON, N2

confirmed and established the love and respect for Great Britain and the British that brought me to these islands to do my research years ago at Oxford. But it leaves me in the following quandary: everyone in Northern Ireland has guns (and bombs), or ready access to guns (and bombs), directly or indirectly.

So who is more in line with the principles I have learned from my British mates – justice, fair-play and good faith – arms parties who will sit down and talk about surrendering their arms, or armed parties who will not sit down to talk at all?

Respectfully submitted,
THOMAS HUTCHISON MCFADDEN
Dun Laoghaire,
Co Dublin
27 November

From Mr M. Ghirelli
Sir: "The Catholic Church remains absolutely central to Ireland's sense of itself as a nation" – so writes Conor Gearty ("When church and state divorce", 27 November). He thereby implicitly denies that a million Ulster Protestants can ever truly be regarded as Irish. Short of forcible mass conversion to the faith of Rome, or some sort of programme of ethnic cleansing in Ulster and the repatriation of Protestants to Britain, how then could the hope of Irish unity ever be fulfilled?

In fact, of course, the national movement in Ireland has always based its arguments for unity on geography – the fact that

Ireland is a single island and that anybody from there must necessarily be Irish. Perversely, most Irish would quite happily see the division of the neighbouring island of Britain into two states – who can doubt that they would support any move by their fellow Celts in Scotland to seek independence from Westminster? For they would see the Scots as a separate nation with the right to self-rule, a people who simply happen to live on the same island as the English.

But they have a different logic for Ireland: the nationalists claim all their fellow islanders as compatriots simply because they are fellow islanders. So it is that the nationalists deny Ulster people their separate ethnic identity and insist that the six counties must be ruled from Dublin – however much Ulster Protestants may object to Irishness being foisted upon them. But geography counts little for Ulster people: they will continue to resist rule from Dublin precisely because they know that too many in the Republic share Conor Gearty's perception that the only real Irish are Catholics.

Hopefully, the vote for a change to the divorce laws might just begin to convince people in Northern Ireland that there is beginning to prevail south of the border a new perception of what defines an Irish person.

Yours,
M. GHIRELLI
Buckingham
27 November

Throw open the closet, then take it apart

From Mr Antony Grey
Sir: Monday was the 25th anniversary of the first Gay Liberation Front public demonstration against homophobic injustice. In those days – even after the 1967 Sexual Offences Act, which I had helped to pilot on to the Statute book – homosexuals were still regarded by many "respectable" people as the scum of society – vicious criminals, sick, pathetically twisted perverts, or both.

Now, as your excellent feature "Moving into the mainstream" (27 November) shows, it is possible for some people to be open about their homosexuality without damaging their careers or their social standing. Some, but not all, as you say, the list is heavily skewed – anti-homosexual prejudice still keeps those in many walks of life firmly in the closet. And the great majority of your 40 subjects are London-based.

When I was Secretary of the Homosexual Law Reform Society in the Sixties, all of us were "in the closet" – there was nowhere else to be. Now, thanks to a third of a century's campaigning, that is no longer the case. But the closet still exerts a

powerfully cramping and distorting impact, not only upon homosexuals themselves, but also upon the larger society's perceptions of us. We are the only discriminated-against minority that suffers the handicap of partial visibility.

It is time for the closet to be dismantled. The "outing" of specific individuals is a red herring. The crucial issue is the malign social effect of the closet itself. This will end only through the combined efforts of increasing numbers of gay people who are prepared to state openly, as the Gay Liberation Front did, that Gay is Good and Gay is Proud, and that they are not ashamed to be gay, and of every element of goodwill in the larger society who is prepared to recognise the extent of the homophobic prejudice, fear and ignorance that still pervades society and to take meaningful steps to curb it.

A determined effort is needed to bring new initiatives into education, professional training and legal provision. The inertia of politicians and religious leaders unwilling to grasp the nettle of

prejudice must, and will be, overcome. Yours faithfully,
ANTHONY GREY
LONDON, NW2
28 November

From Mr David Burlinson
Sir: "Revealed: the 40 most influential gay men in Britain" (Section Two, 27 November) was neither revealing nor can the selection be taken seriously. Nearly all of the men concerned were already well known to be gay, so what has been revealed? Some 85 per cent of them are closely connected with the arts or media, and while one would accept that people writing in the media are likely to be influential because of the nature of their jobs, it is absurd to suggest that their influence is overwhelming.

The obvious conclusion to be drawn from the selection made is that there are only a handful of gay men in the upper echelons of business, politics, the legal and medical professions, and the Civil Service, but is there any real evidence that gays are under-represented in these fields compared to the proportion of gay men in

the population at large? Just because a gay man is not "out" does not mean that he cannot be influential.

The majority of the millions of gay men in Britain are not instantly recognisable as such; for whatever reason, they choose not to express specifically their sexuality in their lifestyle, but they are still gay. The bias in your selection serves only to perpetuate the absurd myth that if you're gay, the chances are that you work in some field associated with the arts and media.

Yours faithfully,
DAVID BURLINSON
LONDON, SE24
29 November

From Ms Joanna Baxter Fielding
Sir: If it were not for the fact that (as proved by your survey) sexual inclination is generally irrelevant to one's professional life, I would say that I was looking forward to your "survey of lesbians influential in Britain today" – which, I trust, can be expected soon.

Yours sincerely,
JOANNA BAXTER FIELDING
Nottingham
27 November

Is honesty always the best policy?

From Ms Kitty Paul
Sir: Does honesty really pay? My 21-year-old daughter graduated this year and is busy job hunting in London. After three years as an undergraduate and five months unemployed she has a cash flow problem.

Two months ago, she picked up a discarded envelope which contained \$5,000 in cash and \$3,000 in American Express travellers cheques. She immediately phoned the American Express

number and gave her own name and phone number. Twenty-four hours later the owner of the money left a message to say that he would like to speak to her. Meanwhile, my daughter had decided that it would be safest to take the money to a police station, which she did.

The police told her that if the money was not claimed within six weeks it would be hers. The owner never phoned back. My daughter returned to the police station after

six weeks to be told that the money had been reclaimed the day after she had handed it in. She has had no thanks from the owner nor from American Express and has had no recompense for the expenses she incurred in returning it.

I feel very angry that she is now left with the feeling that perhaps honesty was not the best policy. How sad that being honest has been such a costly and demoralising experience for her.

Yours sincerely,
KITTY PAUL
Wilton, Somerset

Council vs counsel

From Mr Nigel Peake
Sir: Whatever the statistics may be concerning litigation in civil courts (letters, 27 November), the fact is that claims against local authorities have risen dramatically in the past 10 years, as Polly Toynbee correctly reported (24 November).

Yours faithfully,
NIGEL PEAKE
Corporate Affairs Department
Zurich Insurance
Portsmouth, Hampshire

Hiding behind right to silence

From Mr Ray Clarke
Sir: The judgment by the Court of Appeal in the Guinness fraud trial (Law Report: "Guinness defendants' appeals dismissed", 28 November) will no doubt bring a sigh of relief from the newly created Environment Agency and the green lobby. The relief may be temporary given that it will be considered by the European Court and a decision is expected early next year.

The appeal considered the powers of DTI inspectors under the Companies Act and the obligation to answer questions on pain of sanctions contrary to the principle of the right to silence.

Under similar provisions in environmental legislation, regulators such as the NRA (and from next April the Environment Agency) have the power to demand answers to questions about polluting incidents. The Environment Act has recently increased the penalties for failing to provide such information.

I can testify to the value of these provisions in a recent water pollution case I was prosecuting, affecting some 20km of river and which resulted in a major fish kill. The power to demand information led to an industrial chemical manufacturer admitting responsibility and being successfully prosecuted.

If the European Court comes to a contrary decision to that of the Court of Appeal, the implications could be far wider than the fight against commercial fraud. The Environment Agency and any right-minded citizen would hardly be likely to agree that polluters should be able to hide life-threatening mistakes or catastrophic pollution behind the right to silence.

Yours faithfully,
RAY CLARKE
Solicitor
Nabarro Nathanson
Doncaster
28 November

Listed buildings are not for ever

From Mr Peter Ayle
Sir: The listing of buildings is not a way of freezing the past, as stated by Peter Popham ("Be listed, be damned", 27 November). It provides a degree of protection to certain buildings by requiring a bureaucratic procedure prior to any substantial changes. The Centre Point building may have been listed, but there could be consent granted for its demolition before the end of the year. Listing gives the question of change a public airing instead of allowing singular decision-making.

Control does not cause mediocrity: just as freedom from control does not obviate it, as in the Docklands.

Yours faithfully,
PETER AYLE
London, N1
27 November

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A teacher's lot must be made a happy one

Who would be a teacher? Fewer and fewer, it would seem. No one working in a school will be surprised by news from the National Audit Office that 150,000 teachers have taken early retirement in the past decade. Teachers feel maligned by the world: blamed by politicians for letting standards fall, blamed by parents for failing to discipline children, and blamed by society for everything from failing to spot child abuse to their pupils' bad manners.

The message from much of the media is that teachers are idle incompetents whose holidays are too long and whose views are too trendy. Recently, Chris Woodhead, Her Majesty's Chief Inspector of Schools, has joined in, berating teachers for the methods they use and announcing that 15,000 of them should be sacked.

At the same time, the job has become increasingly insecure. Once teaching was a safe, secure public sector profession, in which people accepted lower salaries in return for the security of a job for life. Not any more. Due to cuts in public spending, nearly 10,000 teachers lost their jobs last year. More may do so this year.

To depress and demoralise those responsible for educating our children is extremely destructive. The nation cannot afford the loss of 150,000 experienced teachers when its prosperity depends on closing the gap in education standards between Britain and many of its competitors. Only teachers will be able to make the difference in the classroom and to raise standards across the board.

So what is to be done? One solution is to improve teachers' salaries and promotion prospects. Good honours graduates entering the profession earn just £13,350, rising over about seven years to £20,145, the top of the ordinary classroom teacher scale. There they may stay for a long time. The biggest group of teachers earns about £21,000. For this they work nearly 50 hours a week, according to figures produced by the Teachers' Pay Review Body.

But better pay alone is not enough. Teachers need less haranguing and more encouragement. The best way to raise their morale and their enthusiasm for teaching is to accord them the status and respect they deserve.

They need more support from the Government, too. When the school inspectors arrive to pronounce on a school's success or failure, they should give the teaching staff help and advice to make real improvements in the school, rather than just vanishing until the next inspection.

Of course bad teachers must go. Teaching is far too important to allow those who fail at the job to carry on. Combining a serious increase in salaries and status for the majority of extremely capable teachers, while rooting out the few who drag them down, would do much to raise the value of the profession in the eyes of the outside world.

Until a teacher's profession is a source of pride rather than embarrassment, the haemorrhage of talented staff will continue. Everyone has to recognise how badly we need teachers and how much we undervalue them.

ANOTHER VIEW Iain Duncan Smith

Budget travel

I was that great Greek poet Cavafy who wrote that life was not about the arrival but rather about the journey, and, in a sense, so was Tuesday's Budget. A journey from recession to growth, with another budget yet to come. This is clearly an 18-month strategy.

The £3.2bn reduction in government expenditure is welcome and although I hoped for more, it indicates our resolve to power the burgeoning cost of government. Furthermore, the lowering of taxes is very welcome and fully in line with Conservative instincts. With 26 million people benefiting from this, then the economy will also benefit. This, however, cannot be the end of the story, for I expect over the next 12 months we will see continuing pressure from the Treasury for budget restraint, and then later next year further reductions to make room for further tax cuts. Yet this Budget was twin-pronged. The first prong was Tuesday's cautious, though very welcome, move back into tax reduction, and the second is a reduction in interest rates – to work effectively, both prongs are necessary.

Last year the Bank of England panicked about a surge in raw-material prices and put huge pressure on the Chancellor to raise interest rates in anticipation of inflationary pressure. There was an initial rise but that was not enough for the Bank; it continued on

right up to the end of this summer with its insistence on interest-rate rises.

What has become clear is that the Bank was quite wrong, the expected surge in inflation did not happen. Instead, the early interest-rate rises and the effect of the lottery have resulted in a slowdown that has led to smaller-than-expected government receipts. Thank God, the Chancellor rejected any further interest-rate rises this year and now the Bank admits it was wrong.

With the most stable economic performance for a generation, the British economy is poised to benefit us all. However, to reap that benefit we need to boost growth rates, and to do that, given the scale of the tax cuts, the economy now needs a reduction in interest rates. That requires stability in the markets, and that is what Tuesday's Budget was in part about.

Most important, once applied, it is a strategy that, over the next 12 months, will convince the public that this is a Conservative government which not only wants people to take more power over their own lives but can deliver. To win the next election the public needs to be convinced that a move to Labour would be a gamble that it could not possibly afford.

I await Christmas with great expectations.

The writer is Conservative MP for Chingford.

سلاسل الحروب

A Kalashnikov in every cupboard

It is an old convention of civil wars that, even when peace is made, citizens keep their guns

Well over a decade ago, I was rummaging through piles of 60-year-old newspapers in the roof of the home of friends in Co. Carlow, searching for copies of the *Irish Times* which reported the 1922-23 civil war. But what I found, hidden deep beneath those papers, was a far more powerful symbol of that tragic conflict: a big, heavy British Lee Enfield .303 rifle – a small crown and the date 1918 stamped on the wooden stock – with a fresh ammunition clip beside it.

How the IRA of 1918-21 bought, captured or stole the weapon will never be known. But it had passed into the hands of an Irish family and remained with them throughout the subsequent war in which Michael Collins died for the Provisional government of the Irish Free State, and at the end of which Eamon de Valera surrendered on behalf of the anti-treaty Republican forces. And when that war was over, like thousands of Irish men and women, the Carlow family had kept their Lee Enfield rifle, just in case. In case the British returned. In case the Irish civil war was not really over. In case the Irish ceasefire did not last.

Now, of course, the old Lee Enfield was an antique, the cause of humour over dinner a few hours after I found it. Maybe, someone suggested, it should be given to a local museum. But I could not help remembering that gun when I heard that US Senator George Mitchell was going to look into that most sinister of all stumbling blocks in the Irish "peace process": the

"decommissioning of weapons". For the ghosts of Irish history haunt the present more palpably than most of us imagine and, by and large, civil war participants do not usually give up their weapons when they lay down their arms for a ceasefire. They keep them for protection until peace treaties are signed.

Indeed, back in December of 1920, when Collins was waging his first war – against the British – he blamed Lloyd George's insistence on "decommissioning" for continuing the bloodshed. "... although terms of Truce were virtually agreed upon", he wrote, just before his death in 1922, "they were abandoned because the British leaders thought those actions indicated weakness, and they consequently decided to insist upon surrender of our arms. The result was the continuance of the struggle. British aggression went on unabated and our defence was kept up to the best of our ability".

Mitchell may not know that when the Irish civil war ended in 1923, de Valera – as he is quoted in Tim Pat Coogan's biography – tried to secure "suitable buildings" in each province of Ireland "to be used by [Republican] forces as barracks and arsenals, where Republican arms should be stored, sealed up and defended by a specially pledged (sic) Republican guard". After elections, the arms could be reissued, de Valera thought, "in such [a] manner as may secure the consent of the government then elected". In 1923, the Irish government insisted all



ROBERT FISK

arms must be surrendered and a few token "heavy weapons" – or what passed for field guns in the rag-tag army of the anti-treaty men – were given up. But the rest were dug into the earth, hidden in roofs or cow-byres, where many of them remain to this day.

Ministers in the present-day Irish government have been both infuriated and fearful of John Major's repeated insistence on "decommissioning" as the price for all-party talks. That included Sinn Féin – not just because of the terrible but private and unpublicised warnings of attacks into the Republic which the Protestant paramilitaries promised the Irish cabinet if the Belfast ceasefire broke down, but because, historically, the men and women of Ireland do not hand over their guns. Even after the 1798 rising, Irishmen hid their pikes rather than surrender them to the English.

Would an Irish peace really be in danger if the IRA and the so-called "loyalists" buried their guns in the garden? The Lebanese civil war suggests it would not. When the Christians and Muslims of Beirut ended their conflict

in 1990 – after the Syrian bombing of a Lebanese rebel general's last redoubt – there was an ostentatious call by the new Lebanese government for the handing over of all militia arms.

A few trucks were ceremonially given to the newly reconstituted Lebanese army and a boatload of rocket-propelled grenades was dispatched to Croatia by the grateful of the Christian militia men, but most of the Kalashnikovs and pistols and grenades and ammunition boxes were buried in the hills or beneath the floorboards of Lebanese homes.

Senator Mitchell – who, ironically, is of Lebanese as well as Irish extraction – might take note of all this. For I know hundreds of Lebanese families who have kept their guns: in my small area of west Beirut they are mostly hidden in cupboards, with the tacit permission of the security forces. The deal is simple, though unwritten: if the peace continues, the guns will never be used; but if the army cannot keep the peace, then the guns become once more the ultimate means of each family's defence. So the price a government pays to keep the guns out of sight is the success of the security it provides for its own people.

Of course, there are terrible risks. Once Tito had satisfied his thirst for revenge against the wartime Croats, he insisted that every family in Yugoslavia put a gun in their home for defence against invasion. And when the southern Slav civil war broke out in 1991, those same guns were pulled out of

cupboards and attics and used to terrible effect. But it was the fragmentation of Yugoslavia and the nationalist ambitions of its little dictators that fuelled the new war – not the guns. Besides, most of the Bosnian warlords were, by 1992, breaching the arms embargo by supplying their men with newer weapons.

An international commission may decide that the IRA must make some token gifts of hand-held missiles to neutral parties – stored, perhaps, in one of de Valera's "suitable buildings", along with some Protestant ammunition. And, given that phrase in the official communiqué about "all arms" being "removed from Irish politics" – shrewdly spotted yesterday by Sean Cronin, the veteran *Irish Times* Washington correspondent – we might expect a modest gift of rifles, too, from the Royal Ulster Constabulary.

In reality, however, Major and John Bruton may well decide that the garden – where many an English Civil War brassard lay hidden over the centuries – is the best place for the IRA's armory, a place where it can rust and congeal into history. After all, those English Civil War swords that survived Cromwell now decorate the walls of many a Home County pub – just as 18th-century pikes can occasionally be found above the fireplaces of Co. Cork bars. One day another generation may even see the occasional Kalashnikov hanging above the hearth – well rusted, of course. There could not be a more powerful symbol of peace.

Countdown to glad tidings

You know what an Advent calendar is, don't you? Yes, of course you do.

It's one of those things that was probably invented somewhere snowy, like Germany or Sweden, where you open one window, excitedly every day before Christmas and there's a picture of a robin inside, and you say to your crestfallen children, "Well, perhaps there'll be something interesting tomorrow", but you know there won't be?

That's it! Well, this is something entirely new in journalism. It is an Advent Article! Here's how it works.

Listed below are a number of things which have to happen in the next month, before Christmas Day finally arrives. By each one there is a little box. Tick the box as and when it happens. When all the boxes are ticked, it's time for Christmas! Here we go, then:

☐ You get the first Christmas card.
☐ You look guiltily at your partner and ask, "Are we sending cards this year?"
☐ Your partner says, "Did we send cards last year?"
☐ You say, "Well, I remember we made a big decision about it, but I can't remember what the decision was."
☐ Your partner says, "Oh, let's be brave and not send cards this year!"

☐ And you agree: "Spot on, partner!"
☐ Next morning you get six cards and your partner says, "Maybe we ought to send cards, you know."

☐ Your partner says, "I can't think what to get you for Christmas this year."
☐ You say, "I haven't even started thinking about yours yet."

☐ You say, "We mustn't leave it too late to get a tree this year."
☐ Your partner says, "Gosh, yes! Do you remember the year we left it until Christmas Eve and you went down the Portobello Road just as the market was packing up; and all they had left were either 20ft or 2ft high trees, so you bought a 20ft one to trim down a bit, and by the time you had got it evened out, it was down to 2ft!"

☐ And you say, "No, I don't remember that."
☐ You buy some wrapping paper from the place near the bus station where it is tremendously cheap, and you feel that at least you have done something towards Christmas.

☐ Your partner says, "I've just remembered that Aunt Joan doesn't like figs."
☐ And you say, "So?"

☐ And she says, "Well, I was thinking of having kumquat, fig and apricot stuffing in the turkey this year."
☐ And you say, "So?"

☐ And she says, "Well, Aunt

Joan will be here for Christmas Day ..."

☐ You say, "Will she?"
☐ And your partner replies, "Oh, for heaven's sake! Don't you remember anything? Don't you remember our discussion about Christmas lunch and who to invite?"

☐ And you don't.
☐ But you say, "Yes, of course!"
☐ And after a frosty silence between you, your partner says, "By the way, I found some dreadful wrapping paper left over from last year in the cellar, which I've thrown out – we really must get some good stuff this year, the trouble is, it's so expensive ..."

☐ And you can't quite bring yourself to admit that the wrapping paper she threw out is the stuff you thought you were so clever to buy cheaply at the place near the bus station.

☐ One day you think you ought to raise with your partner the question of where you are going to spend New Year's Eve.



MILES KINGTON

☐ But you don't.
☐ Because it suddenly occurs to you that you may well have discussed this with her already, just like Christmas, and you have forgotten all about it, and she couldn't take the idea that you have forgotten TWO vital conversations.

☐ The next day your partner suddenly says, "I suppose we ought to have a serious talk about where we spend New Year's Eve this year."

☐ You are so relieved that you haven't forgotten another vital conversation that you are tempted to answer, just as a joke, "But darling, we discussed this all years ago – don't you remember?"

☐ But some sixth sense tells you not to.

☐ You get a Christmas card from Pat and Bob.

☐ It says, "Hi! See you in the New Year?"

☐ But you don't know anyone called Pat and Bob.

☐ You know someone called Pat and someone called Bob, but you don't think they've ever met.

☐ This shouldn't worry you, but it does.

☐ So during the next few days both of you keep saying things like, "Might it be Pat and Bob?" Or "Could it be Pat and Bob ...?"

More of our Advent article tomorrow!

She was one of the leading lawyers of her generation. But now the First Lady is a Stepford Wife

What have they done to Hillary?

Two dozen "prominent British women" were rustled up overnight. Would we be available for coffee and a discussion with Mrs Clinton at 9.15 yesterday morning? She wanted to talk about problems facing professional women – or so the message said. Well, that is an invitation not to be sneezed at, murmured confidentially late night down the phone from the head of embassy personnel.

The first question was, who were the other 23 selected "prominent women"? Some had no trouble earning the sobriquet – Lady Blackstone,



POLLY TOYNEE

the Labour baroness without whom no conference or committee is ever complete; Gillian Shephard, the most senior woman in the Cabinet; Sue MacGregor of the *Today* programme; Sue Slipman, erstwhile patron saint of single parents, now head of the Training and Enterprise Councils; Deborah Warner, the distinguished theatre director. There were two of us journalists from the only liberal broadsheet, no Tory press. A clanger of a non-PC note was struck in the list of participants: "Sarah Ebanja – Halling from south of the Thames where most persons of color live, Ms Ebanja is a local government official with one of the lower-income sections of the London community."

We eyed one another with fascination over orange juice, in the opulence of the ambassador's Regent's Park palace. As we awaited the First Lady's entrance, we tried, unsuccessfully, to guess the rationale for this curiously arbitrary grouping. And wasn't there something oddly uncomfortable about a lot of achievers gathering together to whinge about women's failures?

Mrs Clinton, we were told, conducts one of these meetings in every country she visits. We were, in other words, a necessary photo-opportunity in her itinerary, as the cameras rolled in for her opening remarks. In royal blue polo neck and hair swept into the chignon that said "serious", she entered the room and pressed our flesh, each woman getting the firm handshake and the long, intimately significant look. This woman is a professional, look. Or at least a professional First Lady. But is she still a professional in her own right?

"There is a special relationship between our countries and I think that is especially true on a personal level."



Hillary Clinton and Gillian Shephard, who shone in warmth and humanity by comparison

Photograph: PA

she started out, a pensée straight from the Handbook for First Ladies Visiting Britain. She wanted to "trade thoughts or ideas you might have about common interests, particularly among women ... we have so much more in common than the things that separate us." And there was more from the same little book, handed down no doubt from Tricia, to Betty, to Rosalyn, to Nancy, to Barbara to Hillary. Bone china cups clinked, petit fours went uneaten.

What had they done to her? The men with the mind-machines have captured her at last, sucked the life and guts out of her, fashioned her into the only acceptable model – a fully fledged First Stepford Wife. She sits stiffly, like a mannequin, her head nodding up and down mechanically, her expression glazed, half smiling, hardly changing, her views anodyne, her words as carefully manicured as the lawns outside the window. What have they done to the woman who was once one of the brightest lawyers of her generation, one of the team that impeached Richard Nixon? What have they done to the

woman who set out so boldly to bring radical reform to the whole American health-care system? Was it the disastrous defeat of that project, and the catastrophic mid-term elections that finally drove her back to the hearth?

Afficionados of her truly dreadful column – "Hillary Clinton – A View from the White House" – in the *London Evening Standard* will not be surprised to hear that the Stepford doctors have had their way with her. (Except for those readers who still think, as I did at first, that her column must be a pastiche from the pen of some wicked satirist). One of last month's columns might have made Nancy Reagan blush: "On Wednesday my husband and I will celebrate our 20th wedding anniversary. I know it sounds corny, but we love each other more now than when we married." You don't want to know the rest. It gets worse.

Talk was at first desultory. After all, what did we have to say that we had not said a thousand times before? But dutifully we rumbled round the usual buzz words – glass ceilings, child care, paternity leave, the long-

hours culture, men's refusal to change, zero-hours contracts and the pitiful pay of most part-timers. What could we say that she had not heard wherever her travels take her? But now and then a little light glimmered in her glassy eyes. She talked of the backlash against women, the rush for traditional family values, the confusion exploited by a small but well-financed group of fundamentalists. Fine.

But when Sue Slipman asked her about single mothers, it triggered a Stepford response: "There really is a reality to that problem," she said. "Whether you like it or not, children of lone parents don't do as well in school, they get in trouble with the law, and more often need assistance with behavioural and emotional problems. I am writing a book about children, on this subject. It's a problem feminists are going to have to confront." She went on to say, "Divorce is a bad deal for women and children. I think divorce should be made harder. It's gotten too easy for women and men."

Many women, she said, do not like it when she delivers these home truths.

Herbert Morrison it was, I think. (Peter Mandelson's grandfather, incidentally) who once said: "Don't tell me what's in the motion, just tell me who put it up." Much of politics is like that: to understand the real issue, you need not only the bare words on the page, but also their origin and real intent before you know what's going on. There is nothing so exceptional in what Hillary Clinton says about the economic disaster of divorce for women and children. But it is the fact that she is saying it that sends out alarm signals. Read her lips.

She began with a pensée straight from the Handbook for First Ladies Visiting Britain

this plays straight into the family-values, cookie-baking, home-making lobby in whose image she is now moulded. She may be right – but that is beside the point. Her book sounds as though it will be written by the same hand and brain that pens her column.

Gillian Shephard, interestingly, was not keen to jump in on this theme. Sitting beside the Prozac First Lady, she shone in warmth, humanity and common sense by comparison – despite a routine, but not particularly heart-felt, defence of some of the Government's harsher policies. (Her, alas, off-the-record murmured comments about sexism in the Cabinet warmed the cockles of those few of us who heard them.) But then it is a far easier thing to be a politician in your own right than Caesar's wife.

Hillary Clinton still attracts an encyclopaedia of invective: "Doesn't this exhaustively combative, unbearably confident little blonde know when she's beaten?" wrote Ann Leslie (not an uncombed woman herself) in the *Daily Mail*; pushy ideologue; protean schemer; Lady Macbeth; and even, according to Newt Gingrich's mother, bitch. How does she feel about the attacks on her? She replied in straight Stepfordese: "I don't take criticism personally. No matter what you do, you never satisfy your critics. You can spend too much time worrying about whether people approve of you, when what matters is whether you approve of yourself."

Can she be de-programmed? Perhaps, but rescue for the author of a nauseating description of a secret husband and wife midnight dip in the moonlit White House pool may come too late.

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by Tony Reeve and Steve Way

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budget: winners and losers

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Dual income family

	1995-96 £pa	1996-97 £pa	Change £pa
Income	50,000	50,000	0
Company car & fuel benefit	5,517	5,557	40
Child benefit	980	1,019	39
Income tax before reliefs	13,251	12,542	(709)
Value of MCA	(258)	(269)	(11)
Tax relief on his £3,000 pension	(1,200)	(1,200)	0
National Insurance	3,606	3,659	53
Mortgage payments	7,128	7,128	0
Domestic fuel bills	864	864	0
Net income after mortgage & fuel bills	24,589	25,205	706
Duty:			
Wine	780	780	0
Spirits	155	153	(2)
Total			£709

Case study: Sue Greening, 41, and Paul Greening, 42, Cardiff. Sue Greening is a Senior Community Dentist, Quality Engineer. Joint income: £54,400.

CASE STUDIES

AVERAGE FAMILY

Relief as Chancellor leaves MIRAS alone

Sue Greening, 41, Paul Greening, 42, Cardiff
Senior Community Dentist, Quality Engineer
Joint income: £54,400

Sue Greening's work for the Community Dental Service in Gwent involves a certain amount of driving around the county. The 3.5p on the price of a litre of petrol will mean about £2 extra on the family's monthly petrol bills.

Child Benefit received for their two children, Adam, 13, and Kate, 11, will increase by £3.25 per month.

The Greening family are very relieved that there are no changes to the £30,000 tax exemption on redundancy payments as Paul, at present earning around £20,000 per annum, is to be made redundant from his job at the Government's atomic weapons establishment in 18 months' time.

Although this will call for some financial adjustments in the family's standard of living, Sue had no appetite for a pre-Budget tax relief on state benefits. She said: "I would have personally been prepared to pay a little bit more in tax and see it go towards education and health."

"They say they spend more on schools every year but all I see is that kids still haven't got books and



the fabric of the school buildings is falling apart."

Changed duty on wine and beer will affect the family more than changes to tax on spirits. Sue Greening said: "I've yet to be con-

vinced that 25p off whisky is good for the population."

"Generally I thought [the budget] was fairly daft but I was pleased he didn't do anything with MIRAS."

SINGLE MOTHER

Juggling between family and the future



Carol Revell, 27, Cardiff
Voluntary chair of Glogbroad

Carol Revell, a single mother, lives with her two teenage sons in Cardiff. She juggles her time between looking after the family, working voluntarily for a charity, and planning for her future employment. She has applied to go on a social work course in September to improve her chances of getting a long-term job, but meanwhile the family relies on state benefits. Ms Revell says "a very boring Budget" has done little to help her and others in her situation.

The announcement on childcare allowance comes too late for Ms Revell's sons. It applies only to children under 11. In addition, it cannot be claimed by those on income support. If it could be claimed by single parents on income support, Ms Revell believes, "it would just give people that incentive to get

off benefits". She feared a rise in VAT on fuel, which did not happen. But she was angered by the emphasis placed by the Government on benefit fraud.

"There's actually more tax fraud, but they don't want to know about that. The tax fraudsters are actually contributing to the economy, but they're not classed as villains for defrauding it."

With two sons in school, Ms Revell was looking for commitments to education. She was glad to hear the Chancellor's promise of increased spending on schools. But having just finished a university course in Cardiff, she was far from enamoured by news that student loans may be provided by banks in future. "I'd love to see how that's going to work. I had a student loan and you just can't pay the thing back anyway. You've got a mortgage round your neck before you do anything. With the banks doing it, you're going to be in an even worse situation."

How the income tax changes affect you

Income band	1995-96 £	1996-97 £	NIC rate
Below £2,400	0	0	0%
£2,400-£4,750	0	0	10%
£4,750-£10,000	0	0	22%
£10,000-£15,000	0	0	22%
£15,000-£20,000	0	0	22%
£20,000-£25,000	0	0	22%
£25,000-£30,000	0	0	22%
£30,000-£40,000	0	0	22%
£40,000-£50,000	0	0	22%
£50,000-£60,000	0	0	22%
£60,000-£70,000	0	0	22%
£70,000-£80,000	0	0	22%
£80,000-£90,000	0	0	22%
£90,000-£100,000	0	0	22%
£100,000+	0	0	22%

Personal allowances	1995-96 £	1996-97 £
Basic personal allowance	3,705	3,705
Married couple's allowance	4,800	4,800
Married couple's allowance (if one partner is over 65)	1,720	1,720
Married couple's allowance (if one partner is over 75)	2,905	3,115
Married couple's allowance (if one partner is over 80)	3,035	3,155
Married couple's allowance (if one partner is over 85)	1,200	1,250
Married couple's allowance (if one partner is over 90)	14,900	15,200

Single person tax	1995-96 £	1996-97 £
Basic personal allowance	3,705	3,705
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Married couple's allowance (if one partner is over 75)	2,905	3,115
Married couple's allowance (if one partner is over 80)	3,035	3,155
Married couple's allowance (if one partner is over 85)	1,200	1,250
Married couple's allowance (if one partner is over 90)	14,900	15,200

Single person tax	1995-96 £	1996-97 £
Basic personal allowance	3,705	3,705
Married couple's allowance	4,800	4,800
Married couple's allowance (if one partner is over 65)	1,720	1,720
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High income family

	1995-96 £pa	1996-97 £pa	Change £pa
Income	75,000	75,000	0
Income tax before reliefs	24,785	24,259	(526)
Value of MCA	(258)	(269)	(11)
National Insurance	2,047	2,112	65
Share dividends after tax	600	600	0
Mortgage payments	3,385	3,385	0
Domestic fuel bills	1,296	1,296	0
Net income after mortgage & fuel bills	44,345	44,817	472
Duty:			
Petrol	1,659	1,759	100
Total			£372

Case study: Mr and Mrs Jones, 55 and 52, live in a large house in the south of England. Mr Jones is a senior manager in a large company. Joint income: £75,000.

Single person

	1995-96 £pa	1996-97 £pa	Change £pa
Income	25,000	25,000	0
Income tax before reliefs	5,209	4,940	(269)
National Insurance	2,047	2,112	65
Rent	6,000	6,000	0
Domestic fuel bills	432	432	0
Net income after rent & fuel bills	11,312	11,516	204

Chancellor bets all on electoral jam tomorrow

COMMENT

The electoral logic may point to a rip-roaring Budget a year hence. The structural deficit of Britain's public finance point in a more sober direction.

A Tory backbencher emerged from the Chamber downcast after Kenneth Clarke's tepid shower of tax cuts. The word was soon being put about that the Chancellor could preside over a bigger giveaway next year. The Treasury had apparently stacked away a nice little corner of tax revenues next year. Allow for this, and the £22.5bn forecast for public borrowing next year that so rattled the City will turn out to be too pessimistic, allowing the Chancellor to cheer up the troops in a year's time.

Certainly the electoral logic of this Budget makes it look like the first of two. An irresistible precedent is Nigel Lawson's 1p off the 30p basic rate of tax in 1986, followed by 2p off in the pre-election budget of 1987 and the bait to the electorate of a 25p rate. The hope on the backbenches is that Mr Clarke will preside over a similar 2p cut next year, with the promise of a 20p rate after the election being dangled in front of the electorate.

There was, however, one big difference in the tax cuts. Mr Lawson presided over: the budget deficit was running in single figures. In 1988, the Chancellor was able to deliver the pledge of a 25p basic rate of tax and balance the budget – indeed it had swung into surplus. By contrast, Kenneth Clarke's ambition of balancing the budget has now been postponed to the final year of the decade, the occasion for a pre-millennium knees-up at the Treasury.

Even so, the Chancellor's hand would be greatly strengthened if he could announce a more favourable outcome to the PSBR next year thanks to better than expected tax revenues. According to the Institute for Fiscal Studies, that is a distinct possibility. They say the Treasury is too pessimistic, to the tune of £4bn. On the basis of the Treasury's forecast for growth in nominal and real GDP, the institute's model projects a PSBR next year of £18.5bn.

Fast forward to the House next November. Mr Clarke, glass of cut-price whisky in hand, galvanises the backbenches with the news that the PSBR has come in at about £18bn. That makes Britain one of the few countries already eligible for entry into EMU. What's more, he will say, the budget deficit continues on a downward path to £12bn, the sum projected by the Institute for Fiscal Studies for 1997-98 on the basis of its less pessimistic view of the prospects for tax revenues. One more squeeze on public spending, another push on the private finance initiative, and that journey towards a balanced budget remains on course – together with a further 2p off the basic rate.

Now spin the tape back and consider a more gloomy but equally plausible prospect. The Treasury's forecast for tax revenue could well err on the side of caution. But its projection for expenditure almost certainly errs on the side of optimism. The control total is set to fall in real terms by 1 per cent next year. But then it was forecast to do pre-

cisely that in 1994-95. Instead it grew by as much. Again, in the current year, the control total was set to fall at the time of the last Budget by about 1 per cent. Now the Treasury admits it will grow by almost half a per cent.

If you look at total spending excluding privatisation proceeds, the position is markedly worse. Debt interest this year is up by a cool billion pounds on the figure previously forecast by the Treasury. On this measure, public spending will grow by 1 per cent in real terms this year.

Likely expenditure overruns are one way in which the Treasury's alleged hoard of tax cuts could vanish into thin air. The other is if its growth forecast of 3 per cent turns out to be over-optimistic, as several City analysts suspect.

The electoral logic may point to a rip-roaring Budget a year hence. The structural deficit of Britain's public finances point in a more sober direction. In this, as in so many other aspects of the economy, the 1980s do not provide helpful portents for the 1990s.

Putting a new gloss on an old story

Peering through the Whitehall fog, the public spending savings talked about in the Budget come down to three simple elements: an increase in privatisation proceeds, a cut in the contingency reserve and the

knock-on effect of the private finance initiative. The PFI is a newish element in the equation, but the other two are long-standing Treasury tools for putting a new gloss on old figures.

Privatisation proceeds have been raised by £1bn to £4bn in the next financial year, compared with the projections in the Budget a year ago, but that tells only part of the story. The £4bn reflects the firming up of plans to sell both Railtrack and British Energy, the nuclear company, next spring and summer. A year ago, it was doubtful whether the Government would get either away.

It is possible that the Treasury is looking at a two-part offer for British Nuclear or Railtrack, which would delay some of the proceeds to the following financial year. But this is politically unlikely, at least in the case of Railtrack, because it would make it easier for a Labour government to take back control.

The Treasury's estimate for the value of the two sales confirms some of the more pessimistic forecasts from the City – which see Railtrack worth only £1.5bn to £2bn and British Energy perhaps £2.5bn.

As always, the privatisation proceeds figure tells only half the story. The rest of the railway privatisation proceeds, apart from Railtrack, are being absorbed straight into the Department of Transport's budget to offset the railway subsidy of £1.6bn a year. They are being used directly to keep the department's budget under control.

Garnering extra funds from the contingency reserve is another well-tried policy. The reserve counts as part of the "control total" for spending, and its shrinkage plays a big role in this year's Budget sums. The amount the Treasury sets aside in each Budget for unplanned overspending is lower for near years than distant ones on the reasonable grounds that it is easier to predict spending levels next year than three years hence.

The tradition is that for the forthcoming financial year, the contingency reserve is roughly halved, but in Tuesday's Budget the cuts were a bit bigger, giving him a bonus of £250m next year, rising to several billion in later years.

Finally, there is the PFI, a laudable method of shaking up the way public projects are financed and run. The drawback is that the Government is perennially optimistic about the rate at which PFI spending can build up. On its own somewhat suspect figures, an average of £2bn a year spent on capital investment under the PFI over the next three financial years has one tremendous public spending advantage.

With the PFI, the Government does not put capital up front, paying for the services rendered only when projects are up and running. That delay in outgoings brings a substantial, though hard to measure, cash flow boost for the Treasury. All in all, these three changes more than account for the £3.1bn tax giveaway.

Pound plummets to new low over lower rates fears

DIANE COYLE
Economics Correspondent

The pound touched its all-time low against other important currencies yesterday, foreign exchange dealers convinced that Chancellor Kenneth Clarke was poised to cut interest rates in the wake of the Budget. Gilt and shares celebrated a cut. "It is a question of when rather than whether – but I think we will have to wait until the new year," he said.

Simon Briscoe of Nikko Securities said: "The City has been left in the lurch. The prospects for interest rates are far more uncertain after the Budget than before."

He added yesterday's announcement of lower mortgage rates by key lenders would reduce any need for the Chancellor to act when he and Eddie George, Governor of the Bank of England, meet to

discuss monetary policy on 13 December. The main reason to doubt an early move, however, is the Treasury's optimistic forecast for the economy next year. It surprised independent economists with a prediction that GDP will grow by 3 per cent thanks to buoyant consumer spending and exports.

David Miles, at investment bank Merrill Lynch, said it would be difficult for Mr Clarke to persuade Mr George there was a strong case for lower interest rates at a time when he was so cheerful about economic prospects.

Mr Clarke vigorously defended his Budget yesterday. He said the slowdown was only a pause and the recovery would be sustained. "We are not going back to boom and bust," he said. The forecast of a return to buoyant growth next year did not assume base rate cuts.

Analysts said the higher government borrowing announced in the Budget also dampened the chance of a drop in base rates. Although some suspected the figures were deliberately pessimistic so that borrowing would turn out lower than expected next year, Mr Clarke insisted yesterday his new forecasts were honest: "Some past Chancellors have put in figures that they dreamt up rather than the ones they worked out."

The Bank of England announced the new schedule for funding the borrowing requirement, in line with the higher figures in the Budget. There will be a £3bn gilt auction next Wednesday, and an extra auction in February.

Granada yesterday moved strongly back on the offensive, countering City sceptics who said it would not be able to achieve its stated aim of raising £500m from the sale of its assets should its £3.3bn takeover bid for the hotels group succeed.

Gerry Robinson, chief executive of Granada, who today begins a whistle-stop tour in Scotland of his company's institutional shareholders, said: "We have only made conservative assumptions" about the sale prices that can be achieved for the chain of Welcome Break motorway service stations, its 68 per cent shareholding in the Savoy hotels group and the 25 per cent stake in the Alpha Airports catering business.

Forte fight: Robinson goes on the offensive against questions over sales plans

Granada resumes the attack

JOHN SHEPHERD
and MATHEW HORSMAN



Bad service: Gerry Robinson criticised Forte's chains

side restaurant chains, Happy Eater and Little Chef. "We have a site-by-site plan for 80 per cent of the Happy Eaters and Little Chefs. We know where there are planning applications for alternative restaurants near and around these sites. We are up to speed on this. The service at the sites

is had in our view. The original concept still looks good, but has not been kept up to date. We would introduce fast food into these sites. We want commercial relationships, such as Burger King, that give us a good return."

Mr Robinson believes Granada can sell the Savoy stake despite Forte's well chronicled scraps with the upmarket hotel group over the years, which have virtually wiped out the marketability of the shares.

"You have got the trophy asset players. And there probably is an institutional play there, a view supported by the share price rise of the Savoy since we made our bid. It does look as if there is interest in this," Mr Robinson said.

Sir Rocco Forte, chairman and chief executive of Forte, disagreed. "The Savoy is not an easy situation. We have had lots of approaches to sell the shares over the years, but below the market value," he said. "Since there's no market in

the shares, any comment about the Savoy means they [the shares] are marked up. That does not mean there is any growth in demand for the shares."

Meanwhile, the directors of the Savoy have formed an executive committee to "monitor the situation". Forte's representatives on the board – Sir Rocco and Sir Anthony Tennant – have agreed to be excluded from the committee.

Mr Robinson said Forte was unable to make asset sales because Sir Rocco was difficult to negotiate with. "We couldn't get to talk to them about Gardner Merchant [the catering business]. And they shouldn't have been selling it anyway."

Nonsense, said Sir Rocco. "Granada didn't make an offer that was good enough. He offered £100m less than I got for Gardner Merchant." Mr Robinson further attacked the management style at Forte, singling out the way the Budget Travelodge's were being run.

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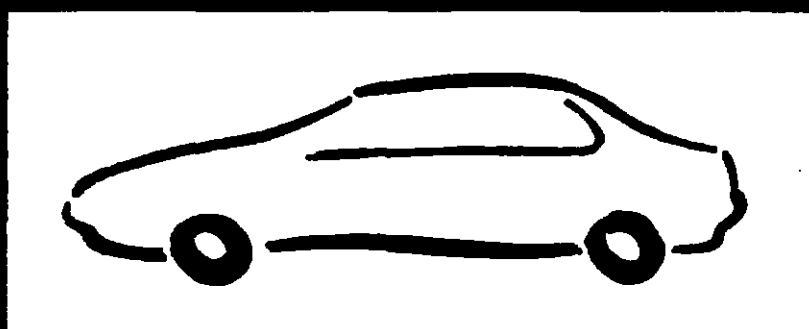
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THE INVESTMENT COLUMN
Edited by TOM STEVENSON

Harry helps fill Safeway trolley

Unlike Archi, Norman at Asda, who has grabbed the headlines with a series of eye-catching price-cutting deals and promotions, Argill's chief executive, Colin Smith, prefers a low-profile, softly-softly approach. But it is proving no less effective and over the last couple of years he has been quietly steering the Safeway group from industry laggard to respectable competitor.

Yesterday's figures show that the catch-up process is continuing nicely. Profits for the six months to 14 October were up 5 per cent to £115m. Like-for-like sales at the group's main Safeway chain grew by 7.8 per cent in the period and by a healthy 9.6 per cent in the six weeks since. This is almost into Tesco and Asda territory.

Much of this has come from the group's popular "Harry" advertising campaign as well as last month's introduction of its ABC loyalty card, which has signed up 3 million members. Safeway needs a 2 per cent sales uplift for its loyalty card to pay for itself and says it is meeting its targets.

These measures have depressed the gross margin, which was 0.5 per cent lower than last year. But Safeway is following the Tesco and Asda approach, using lower prices and heavy promotion to drive sales. Safeway is also now pledging to match Asda on key fresh produce prices, which will further depress the margin.

The Safeway 2000 initiative, aimed at improving marketing and operating efficiencies, is starting to yield dividends. It has coped with the disruption caused by nearly 5,000 redundancies and re-training as many other staff moved to different jobs. With its edge-of-town "compact store" format, Safeway is coping better with planning restrictions. It will open 17 stores next year and as many again in 1997.

Sales per square foot have improved from £12.86 to £13.84. The company has pledged to reach £15 by 1998, although even this will be behind its main rivals. Elsewhere Safeway is improving its proportion of primary shoppers as opposed to customers who simply use it as a "top-up" shop. However, it still lags behind market leaders Tesco and Sainsbury.

The spend of the family shopper, another Safeway target, has also increased. Safeway now has creches in 27 stores and plans 60-70 over the next three years. The self-scanning trial has been extended to 24 stores.

Analysts are forecasting full-year

profits of £403m. With the shares up 7p to 312p yesterday that puts the shares on a forward rating of 13. Argill's improvements mean the shares have lost their discount to the sector and they now look fairly valued.

Fly in the sugar at Tate & Lyle

The management succession unveiled by Tate & Lyle on Budget day has removed some of the uncertainties surrounding the sugar and sweeteners group. But there are plenty of others for investors to fret over.

The group faces an investigation into alleged price fixing in the US and a farm bill there that could alter the costs of important raw materials such as maize from next October. On top of that, a glut of beet sugar has meant nobody in the world's largest sugar refining market has made much money in the US. Tate included.

These risks go a long way to explaining the shares' 10 per cent underperformance against the market this year, despite a continuing strong trad-

ing performance. Yesterday the company announced pre-tax profits up from £274m to £311m in the year to September, an underlying advance of 23 per cent if £25.5m of one-off items are excluded.

But the more fundamental difficulty with Tate is where it goes from here. World demand for sugar, which is still mainly from the developed countries, is growing at a niggardly 2 per cent a year and the market remains highly competitive.

The maturity of the market led Tate to develop sucralose, a sugar substitute that competes with Monsanto's Nutrasweet. But to date it has been excluded from the main US market by a failure to gain approval from the Food and Drug Administration.

The £12.9m write-off on old sucralose plant in these figures appears to draw a line under that experiment, at least for now.

Tate is now pinning its hopes for growth on developing markets, riding on the back of the apparently insatiable demand for products like Coca-Cola in markets currently starved of them. Even so, profits from developing markets are unlikely to represent more than around 10 per cent of the total.

Group profits of £345m this year would put the shares up 10p at 454p on a forward multiple of just 10. Until Tate can show more exciting growth, or less underlying volatility, the shares are likely to stay dull. Hold.

Yorkshire plays down growth

When the history of privatisation is written, the drought of 1995 will go down as one of the key events in the realisation that the water industry should never have been sold off in the first place. Yesterday's half year figures from Yorkshire Water confirmed that view as the company struggled to justify a dividend rise of 10 per cent even as it was still threatening to cut off its customers' supplies on alternate days.

It is strange indeed when a quoted company seeks to minimise its reported profits growth to placate consumers, politicians and the regulator but that is what Yorkshire was doing yesterday. Profits of £99.5m, up 48 per cent were misleading, the company said, as last year's result included a £25m restructuring charge.

A better measure, and a much less contentious figure, was the 10 per cent increase in underlying profits. Earnings per share of 47.1p provided handsome cover for the increased interim dividend payout of 9.1p.

From the investor's point of view, the import of yesterday's announcement was the continuing cost of tankering water from the relatively damp northern part of Yorkshire to the hills and valleys of the west - where reservoirs are still only 20 per cent full compared with the norm for this time of the year of 60 per cent.

The current cost of the operation is running at £2m a week - with only £4.6m of the accumulated total of £20m taken against first half profits, analysts were busy downgrading their full year forecasts.

Yorkshire's dividend is so well covered, however, and the events of this summer so unusual, that the dividend, forecast at 31.7p for the year to March, and offering a yield of 6.5 per cent at yesterday's close of 612p, is impregnable.

So it should be - with political worries and the threat of a windfall tax in the background a high yield is a reasonable expectation.

Simon Pincombe CITY DIARY So farewell James Capel and Samuel Montagu?

The intractable problem of how to successfully brand the diverse business interests that are HSBC has finally been resolved. The bank is to unveil a new corporate image in January, putting an end to the years of confusion over James Capel, Samuel Montagu, Midland Bank et al.

Visitors to the HSBC dealing floor will bear witness to a different business logo on virtually every pillar. The bank has been trying to address the lack of focus for some time under the guidance of Bernard Asher, chairman of investment banking. However, progress has been slow. Compare the immediate disappearance of the Smith New Court name following the merger with Merrill Lynch.

The proposed solution is stunning in its simplicity. The bank intends to put all its HSBC prefix in front of all its brand names in the hope that people will eventually forget about them and they can be dropped.

So come 1996 it will be HSBC James Capel and HSBC Samuel Montagu. The only name not destined to wither on the vine is Midland Bank. Remember, you read it here first.

Grim actuarial warnings take their toll on Bernard Taylor, chairman of Modena, who announced yesterday that he is retiring. Mr Taylor intends to spend a lot of time relaxing in Australia after learning that those retiring earlier tend to live longer.

"There's a message there for us all," he declares, scoffing at the suggestion that he is departing for reasons more sinister. "Unless you think my wife's ministrations on this subject over a period of 35 years are sinister, then this is not sinister," he said, adding that he always intended to retire at 60.

Actuaries say if you retire at 60 you will have a longer and better life than if you retire at 65. If you are in a



Safeway reveals that it has been inundated with requests for video compilations of its current advertising campaign featuring Harry, the toddler who spends life in his mother's supermarket trolley pontificating on the value of groceries. "We have had requests for 1,000 copies," said a spokesman, "some from City analysts." Safeway says it will be using Harry again. "It will be a while before he becomes a spotty-faced teenager."

stressful job and retire at 65 you are likely only to live to 72, but if you bow out at 60 you can expect another 18 years on average.

Why Australia? That's where his two sons and five grandchildren live. Two daughters also live abroad.

After much deliberation and fine wine the Dickens Pickwick Luncheon Club has decided not to dissolve itself - at least not yet. Readers of yesterday's diary will recall that Cedric Dickens, a descendant of the celebrated author, was keen to bring the curtain down on this venerable City forum because the club's venue - the top room at the George and Vulture - was too damp to lunch on.

But the final gathering - at the alternative venue of the Old Doctor Butler's Head - failed to vote itself into oblivion. Instead it was resolved to press Samuel Smith, the Tad-

caster brewer that owns the ancient inn, to mend the roof and allow the club back in for another meeting in the spring where the matter of its dissolution will be discussed again. Over more wine.

"Back from the brink," Mr Dickens breathed.

The telephone rings. It is Peter Levine, chairman and chief executive of Canary Wharf, who takes exception to our story of the Jaguar Building Services man who was trapped in one of the windowless storage rooms in the central spine of Britain's tallest office block. The lack of inside door handles in some of these rooms is not an architectural oversight, he points out. Rather it is the tenants who are responsible for the fixtures and fittings. The gibbering cleaner was rescued after faint screams were heard coming from the fabric of the building.

IN BRIEF

Profits climb at Evans of Leeds

Evans of Leeds said the White Rose shopping centre, which it is developing with Yorkshire Water and Land Securities, is almost fully pre-let and on schedule for completion by Easter 1997. Pre-tax profits climbed 17 per cent from £4.6m to £5.4m in the six months to September. Interim dividend rose 10 per cent to 0.96p.

Wainhomes hit by interest charges

Wainhomes said it maintained sales and operating profits despite selling fewer houses in the six months to September. Pre-tax profits fell from £5.7m to £4.25m because of increased interest charges. Earnings per share were 4.5p (5.7p) and the interim payout was maintained at 1.5p.

Sell-off at Johnson Fry

Johnson Fry is selling its personal financial planning business, Johnson Fry Financial Services, to a new company controlled by some of its managers for £1.25m. Net assets involved are estimated at £150,000. The division traded at a loss, including allocated overheads, of £563,000 in the year ended 31 December.

Transformation at National Home Loans

National Home Loans confirmed its transformation from near-collapse four years ago. Profits rose 32 per cent to £15.1m and the 1p dividend was the first since March 1991. Net interest income was flat at £20.3m but costs grew from £8.6m to £10.3m.

	Turnover £	Pre-tax £	EPS	Dividend
Andrews Cyren (H)	24.8m (+2.3m)	3.37m (+1.2m)	1.16 (+0.6p)	0.6p
Argyll Group (H)	2.4m (+0.7m)	0.1m (+0.2m)	12.29 (+2.2p)	2.14 (+0.5p)
Evans of Leeds (H)	1.1	5.4m (+0.6m)	3.72p (+0.2p)	0.96p (+0.07p)
AL Group (H)	29.7m (+1.1m)	2.65m (+1.2m)	1.21 (+0.5p)	1.65p (+0.02p)
Leicester's Stores (H)	27.6m (+6.6m)	2.25m (+0.4m)	12.4p (+2.2p)	1.4p (+0.2p)
Marston Thompson (H)	4.2m (+0.4m)	1.2m (+0.2m)	11.72p (+0.5p)	1.1p (+0.2p)
National Home Loans (H)	1.1	15.1m (+1.4m)	32.25p (+2.5p)	0.00p
Northumbria (H)	25.1m (+2.6m)	2.13m (+0.7m)	8.76p (+0.1p)	0.6p (+0.5p)
Tate & Lyle (H)	4.21m (+0.7m)	3.11m (+0.4m)	9.72p (+1.2p)	1.5p (+0.4p)
John Widdington (H)	1.4m (+0.2m)	11.42m (+0.7m)	7.92p (+0.3p)	2.11p (+0.2p)
Wainhomes (H)	45.2m (+8.6m)	4.25m (+0.2m)	4.5p (+0.2p)	1.5p (+0.2p)
Yorkshire Water (H)	73.2m (+2.5m)	99.5m (+4.2m)	47.12p (+2.2p)	9.1p (+0.7p)

(H) - Half year (H) - Half year (H) - Half year

Top-level changes at MDIS

DAVID HELLIER

McDonnell Information Systems, the computer services company, said that Giles Hemmings, who joined as director of operations in April, has resigned - earlier than expected. His departure follows Tuesday's appointment of John Klein as chief executive. Mr Klein previously ran a \$2m software operation for Digital. It is believed that Mr Hemmings will have his year-long notice period paid in full.

Mr Hemmings was recruited from Arthur Andersen by Ian Hay Davison, the MDIS chairman. Mr Hay Davison said yesterday that he had brought Mr Hemmings in to the group to "get to the bottom of problems" after it had issued two profit warnings. But Mr Hemmings "never expected to be chief executive," he said.

In August MDIS warned that the group's results for the full year were likely to be substantially below market expectations. Analysts immediately reduced their forecasts from around £13m to around £2m. The company also said in August that Jerry Causley, who led the management buyout from McDonnell Douglas, was leaving the group.

Mr Klein joined the board in June and now succeeds Mr Causley. In his new job, he is expected to play a key role in developing the company's long-term strategy.

Amec spurns bidder at secret meeting

RUSSELL HOTTEN

Hostilities between the UK construction group Amec and the Norwegian shipping company Kvaerner deepened yesterday after a secret meeting of senior executives.

Sir Alan Cockshaw, Amec's chairman, is believed to have strongly rebuffed attempts by Kvaerner to reach a recommended deal on its bid, which could be worth up to £375m. However, it was hoped that further meetings would take place today or tomorrow.

As the two sides tried to resolve differences, Kvaerner bought another 1.7 per cent of Amec shares, taking its holding to 17 per cent. Kvaerner has now overtaken UBS as Amec's largest shareholder.

It is thought that at yesterday's meeting Kvaerner tried to persuade Sir Alan to agree a recommended offer for the large number of Amec preference shares. But Sir Alan, just off the plane after a trip to the Middle East, was said to be in no mood to compromise. Kvaerner's £1-a-share offer

for Amec's ordinary capital is worth £202.6m. An offer for the preference shares, worth about £172m, was to be sent out to investors by Monday.

Some analysts have suggested that Amec may be in a position to negotiate slightly better terms for the preference shares, though any substantial difference would not be allowed under takeover rules.

However, as the ordinary share offer has been rejected, Amec believes there is little point in discussing the terms of the preference share offer.

Erik Tonseth, Kvaerner's chief executive, told Sir Alan that it was not the culture of Scandinavian companies to mount hostile bids. But Sir Alan said that the company's action had been hostile throughout, starting with a dawn raid on the shares last week and publication of the offer document just 48 hours later.

Mr Tonseth was back in the UK after a brief return to Norway to talk to analysts, some of whom have been cool on the bid. Mr Tonseth said: "The synergy we see within both oil and gas

and engineering is so strong that it defends the price for Amec of one pound per share."

While the price-earnings ratio of 37, based on Amec's expected earnings per share in 1995 of 2.7 pence, could be thought high, it was justified by the synergies and the fact that Kvaerner intended to sell Amec's property and house-building arms, he said.

Analysts said Kvaerner's presentation on Tuesday had failed to erase doubts on the specific synergy between the two companies.

Asian weakness hurts Flemings

JOHN EISENHAMMER
Financial Editor

The persistent weakness of Asian markets took its toll on interim results at Flemings, the privately owned investment bank, which yesterday announced a 22 per cent drop in six-month pre-tax profits to £76m.

About half of Flemings' business is Asian-related, including Japan. "The markets where we play to our strengths have been very difficult. Most Far Eastern markets are down in dollar terms, and some regional markets have taken very substantial hits," said John Manser, group chief executive.

Half-year pre-tax profits to 30 June at Jardine Fleming, the group's Asian arm, slumped to £52m from £93m. "Growth rates continue to be strong in Asia, and that will eventually be reflected in stock market valu-

ations, but not while governments there continue to rein in on monetary policy," said Mr Manser.

Flemings has also been concentrating on setting up a broking and branch network in Latin America, the last remaining gap in its international coverage, but this has put pressure on costs. The investment bank's performance in the UK and US were described by Mr Manser as steady, but insufficient to compensate for the Asian weakness. "1995 will go down as the year of the developed market, not of developing markets. We just have to regard it as swings and roundabouts," he said.

The bank, which is 35 per cent owned by the Fleming family, with the remainder held by employees and institutions, has increased the interim dividend to 7p from 6.5p, reflecting "substantial dividend cover."

With Flemings' corporate finance benefiting from the surge in UK mergers and acquisition activity, and a strong focus on building up research and sales capacity in European securities, a persistent area of weakness remains retail asset management.

Overall, funds under management increased, largely thanks to the appreciating market, by 14 per cent to £53bn, with a £2.5bn net inflow of funds. But Save & Prosper and Flemings in Europe are suffering from low volumes and pressure on charges in the competition to win business.

Mr Manser expected the turbulence in UK banking and investment banking to continue. But he said it was too early to tell the effect of balance sheet size and mass on smaller operators in the market, and their ability to continue to attract good people.

Thirsty hot summer shines on Marston

JOHN SHEPHERD

The hot summer provided a big boost to beer sales at Marston, Thompson & Evershed, the regional brewer based in Burton on Trent. Almost a quarter of a £2.1m rise in half-year operating profits to £15.44m was due to the weather.

Marston, famed for its Pedigree bitter, brewed using the old Union system, also benefited from increased beer sales in the free-trade. The free-trade, including national accounts, and take-home trade now account for 50 per cent of beer sales.

"But while the weather was extremely kind to sales of lager, cider and soft drinks, it was less so to sales of cask-conditioned ales, where volumes were down by 1.8 per cent," said Michael Hurdle, chairman.

Marston succeeded in pushing through price increases, which led to the company's 233 managed houses lifting profit margins by 1.6 percentage points. Rents were also raised across the 644-strong tenanted estate by more than 9 per cent.

The overall advance in pre-tax profits, however, was less marked, due to a rise in interest costs from £761,000 to £1.64m, reflecting the company's strategy to sell low profit-making tenancies and buy more managed houses.

Pre-tax profits for the six months to 23 September totalled £13.9m, up 1.6 per cent. Sales advanced 11.2 per cent to £85.2m. The interim dividend is boosted 42 per cent to 2.5p, the rise largely to remove the disparity between the half-year and final payments.

Put yourself in Clarke's shoes.



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sport

At 26 Brian Lara is already so wearied by the weight of public expectation that not even next year's World Cup excites him

One way of thinking about the stress implied by Brian Lara's refusal to turn out for the West Indies in Australia is that it would be endured happily by any number of less fortunate people.

Probably, if the fact of Lara's disenchantment with continuous cricket was explained to the many millions worldwide who will never know a permanent roof over their heads and where the next handful of sustenance is coming from, he would be told to count his blessings and get on with the game.

Another point of view, one with which I have some sympathy, is that demands made on the best team players today, especially stars of Lara's brilliance, take little or no account of the possibility of burn-out.

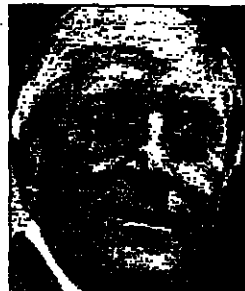
At just 26, Lara it seems, is already so wearied by the weight of public expectation, the prospect of being required to go on repeating feats that justify comparison with the greatest batsmen in history, that not even next year's World Cup excites him.

Despite the debilitating effect of a dispute with the West Indies management that resulted in the £2,000 fine he and three other players incurred this week for a breach of discipline, Lara left us last summer with the glorious memory of three centuries in the last three Tests. Nobody who saw it will ever forget the third, an epic effort at The Oval.

What we now discover is that Lara walked out in mid-tour and had to be coaxed back into the team. You may suppose this to have been a childish fit of temperament but something rather more serious was suggested when he secured release from a contract to play a second season for Warwickshire and risked the wrath of his sponsors.

The promise of a break before the World Cup indicated that the West Indies were in sympathy with Lara's problem, so why select him for a comparatively unimportant tournament? Was their cut of the proceeds dependant on Lara's participation?

This, of course, is what sport, certainly cricket and football, has



KEN JONES

come to; more or less a year-long grind with little or no opportunity for rest and recuperation. Doubtless many think it a privilege but there is a limit to what the leading performers can deliver. Locked into the agreements their em-

ployers reach with television and sponsors, they are often called upon to appear before recovering from injuries. The painkillers any number are persuaded to take carry the threat of crippling arthritis.

People in individual sports have it better. If usually committed to a minimum number of events, they do not have to keep going out there. For example, more and more leading golfers these days ration their appearances. As Walter Hagen once put it, there is sense in taking time to stop and smell the roses.

Getting back to Lara, a good question could be asked of cricketers from past generations. Did Sir Donald Bradman, Denis

Compton and Sir Garfield Sobers ever feel the strain evident in Lara's behaviour? Tours were long but not as frequent. The impression you get now is that the authorities are concerned mostly with making a great deal of money.

In the light of recent history it is nauseating to hear them prattle on about moral obligations and responsibility to the public. Life is tougher underground and on an oil rig, and even in advanced societies the majority have a mundane existence, but there is often a price to pay for sporting prowess.

Last week, when speaking about the dip in form a now revitalised Ryan Giggs experienced last season, the Manchester United manager, Alex Ferguson, wondered whether it resulted from too much football. "I sometimes worry about the number of games they are asked to play," he said. A safe bet is that not many club chairmen share Ferguson's concern. Shamelessly, they suppose that by paying wages they are keeping to their end of the bargain.

An interesting feature of Lara's case is that presumably it involves the West Indies captain, Richie Richardson, who was recently granted time off to recover from what was thought to be a nervous breakdown.

If something similar was not identified in Lara, there is even more cause to be fearful of where sport is heading.

SECOND TEST: Relentless rain clouds difficult England bowling selection. Martin Johnson reports from Johannesburg

Malcolm on the brink of honour or obscurity

The most common noise in Johannesburg at the moment is a very loud bang, which is likely to be caused by any one of three things. They are, in ascending order of likelihood: a) a car backfiring, b) someone being shot (there is a murder here every half an hour) and c) an extremely violent electrical thunderstorm.

There are also two distinct mysteries about this city, which are, in ascending order of importance to England's cricket team: a) why does stopping at a red traffic light invariably lead to a knock on the window and an invitation to purchase a set of plastic coathangers, and b) how did the United Cricket Board of South Africa come to arrange two Test matches here bang in the middle of the stormy season?

England have now been in South Africa for the thick end of six weeks, and have played one day and two sessions of international cricket. Pretoria, about half an hour's drive from here, was wrecked by the weather, and the meteorological reports are not much better for the second Test starting at The Wanderers ground today.

Having decided to avail themselves of the better net facilities at Pretoria's Centurion Park yesterday morning, torrential overnight rain left them unable to do anything but a few lengths of breaststroke. Not surprisingly, they then returned to The Wanderers, and were just able to fit in their final practice before the place was lit up like Castle Dracula on a bad night.

There has been enough sunshine in Kimberley and Bloemfontein for England to feel that their trip has not been an entire waste of time, but another watery grave here would leave

them less than buoyant before heading off further west for the coastal leg of a thus far anticlimactic tour.

As Raymond Illingworth said yesterday, "There is a good spirit in this side, but it does get hard to keep building them up when they are being bugged around by the weather. I thought we took away a slight psychological advantage from the first Test, and all we can hope for is five full days' play here."

England have selected an unchanged squad of 13 for this Test match, but although it was only ever going to be a question of which two seamers to be left out in Pretoria (Devon Malcolm and Mark Illott) there will be substantially more thought given here to omitting their specialist spinner, Richard Illingworth.

Both Illingworth senior and the captain, Michael Atherton, are reluctant to embrace this concept, particularly as pitches are prone to deteriorate here, and last year's Test against New Zealand yielded eight wickets in the match for the New Zealand left-arm spinner Matthew Hart.

On the other hand, the blades on the groundsman's mower had not been set too low when Illingworth peered at the pitch yesterday, and the surface (hardly surprising given the amount of rain they've had) was far from dry. "It depends how it looks before the toss," Illingworth said, "but I'm not ruling out four seamers."

If so, which four? The case for Malcolm is that there should be more pace than there was at

Pretoria, and the case for Illott is that the ball often swings here. The case against Illott is that he is a very friendly pace if the ball isn't doing anything, and the case against Malcolm is that Illingworth - who was recently pinning for a plate of rice pudding - would currently be inclined to whistle up someone other than Malcolm if he wanted the skin knocked off it.

Illingworth's jaundiced view of Malcolm is not universally shared by those around him, but the England manager is not daft, and would hardly leave a potential matchwinner inside the dressing-room purely on the grounds that Malcolm appears to reach for the deaf aid when the manager is handing out advice.

It may be that Malcolm, at the age of 32, simply hasn't got it any more, but if he does not play in this Test, Malcolm may disappear more completely from this tour than Johannesburg did yesterday afternoon under the kind of storm that might have made Noah's resemble a passing shower.

Not too many sunny intervals have flickered across Raymond's face either when it comes to discussing the current form of Robin Smith. "He's definitely a worry," Illingworth said yesterday. "He's not in good form, but we're still backing his big-match temperament."

Atherton was more upbeat ("he has the best Test average of anyone on either side, and has all the fighting qualities I personally like in a player") although both manager and cap-

tain were keen to take the pressure off the top-order batsman with the worst Test average on either side, Mark Ramprakash.

"He's a good player, but it takes some people longer to acclimatise to this level - Mike Gatting was one - than others," Atherton said. "The lad has bags of ability, and needs one big score to get him going." Illingworth concurred.

However, if neither performs well here, John Crawley will undoubtedly play in the third Test in Durban, and we may not have to wait beyond this series either to see Jack Russell at No. 6. Illingworth will not take the risk just yet, but with a bit more batting consistency from the likes of Dominic Cork and Darren Gough, Illingworth would then feel able to pursue his own idea of balance, and play five bowlers.

South Africa are not without their own worries, notably because their plan to overwhelm England with firepower has had to be slightly reappraised. Brett Schultz is injured, and while not too much should be read into Allan Donald's disrespectful treatment in Sunday's one-day match, the "Bloemfontein bullet", as he is known in these parts, looked more like a man trying to hold up a bank with a water pistol.

More good news for England is the absence of the injured Fanie de Villiers, who has not been sighted out here apart from as one of the judges for the Miss World contest, and advertising something called a Fanie-burger on the windows of various Wimpey Bars. As long as we end up with a cricket match, and not a canoeing slalom, England might yet achieve the rare feat of drawing first blood in a series.



Raymond Illingworth (left) monitors Devon Malcolm's pace yesterday

Photograph: Graham Chadwick/Allsport

Sports letter

Boxing's valuable lessons for life

From: Mr D H Willis

Sir: I was a little surprised and saddened to read your Chief Sports writer Ken Jones' piece "The horror that stalks my enduring passion". It seems that even the most uncompromising sporting scribes are dawdling down the path of political correctness.

Boxing fans should become much more assertive and self-confident in defence of their sport. A campaign should be launched by the British Board of Boxing Control to emphasise boxing's many positive qualities. Boxers are highly trained, immensely skilful athletes whose quickness of reflex, fleetness of foot and crude raw courage is probably unmatched by any other sporting activity. At its best, it is almost magical to behold. Boxing teaches self-discipline and self-control. It ingrains the boxer with a valuable and praiseworthy self-esteem so manifestly missing from so many of today's young people.

It is also dangerous like coal mining and descending power stations are dangerous.

Let boxing's many supporters speak out with a clear and confident voice. There are forces at work who would ban it. They know nothing of boxing and boxing people.

Yours,
DAVID H WILLIS
Director, National Sporting Club, London

Letters should be marked "For publication" and should contain daytime and evening phone numbers. They should be sent to Sports Editor, The Independent, 1 Canada Square, London E14 5DL. They may be shortened for reasons of space.

World record fee for Newlove

Rugby League

DAVE HADFIELD

Paul Newlove finally got the world record move he wanted, after a two and a half year delay was extended by a further nervous hour.

The Great Britain centre became the game's most expensive player yesterday when he joined St Helens from the Bradford Bulls in a four-year deal valued at half a million - £250,000 in cash plus Saints first-teamers Paul Loughlin, Bernard Dwyer and Sonny Nickle.

Newlove, who is set to make his Saints debut at home to Warrington on Sunday, revealed that he had almost joined the club in 1993. "I probably should have come to St Helens over two years ago, but Peter Fox came and swept me away to Bradford," he said.

Ironically it was Fox's replacement as Bradford coach this summer that Newlove

Evolution of rugby league's transfer record

Year	Player	From	To	Fee
1995-96	Paul Newlove	Bradford Bulls	St Helens	£500,000*
1991-92	Martin Offiah	Widnes	Wigan	£440,000
1991-92	Ellery Hanley	Wigan	Leeds	£250,000
1989-90	Graham Steadman	Featherstone	Castleford	£170,000
1987-88	Garry Schofield	Hull	Leeds	£150,000
1987-88	Lee Crooks	Warrington	Wigan	£130,000
1986-87	Andy Gregory	Widnes	Wigan	£100,000
1985-86	Joe Lyon	Bradford Northern	Wigan	£85,000
1985-86	Ellery Hanley	Wigan	Hull KR	£70,000
1984-85	George Fairman	Wigan	Hull KR	£50,000
1980-81	Trevor Sherrett	Wakefield	Trinity	£40,000

(*players plus cash)

cited as his main reason for wanting to leave the club. "I always believed in Peter. He was like a grandfather to me and I was disappointed with the way they treated him," he said.

Newlove has been unsettled at Bradford for most of this season, but turned down a move to Wigan two weeks ago in the hope that St Helens would manage to clinch a deal.

"It's a very friendly club and I've always got on very well with players like Bobbie Goulding and Chris Joynt on international duty," he said.

Saints' chief executive, David Howes, relieved that the paperwork was finally completed after a delay in exchanging faxes with Bradford, called it "a massive deal".

"But players of his calibre do not become available very often. We believe we have signed not just one of the best players in Britain, but the best centre in the world and that we are putting together a side that will get rid of our bridesmaid's tag."

Newlove, still only 24, was Great Britain's youngest international when he faced New

Zealand in 1989. Since then he has won 16 Great Britain caps and six for England, including impressive performances in this autumn's Centenary World Cup.

He moved from his hometown club, Featherstone, to Bradford for a fee of £245,000 in July, 1993. The deal that now takes him to Saints beats the previous record, a straight cash payment of £440,000 from Wigan to Widnes for Martin Offiah in January, 1992.

If Saints were excited by their new acquisition, then the deal was also being hailed as a triumph on the other side of the coin. Bradford's chairman, Chris Cusley, said: "These are the players we wanted and our coach, Brian Smith, who returns from America on Friday, is ecstatic that we have got them."

The three former Saints, including Nickle, who has recovered from a knee infection, are all earmarked to make their Bradford debuts against Oldham tomorrow night.

I have more respect for my rivals, which is not necessarily a good thing."

At the European Championships in Vienna last August, nerves got the better of Hardcastle. But this time she is contesting the 400m medley on the first day.

She said: "It will give me a chance to get used to the surroundings and a good swim will give me confidence."

Her main rivals in the 400m and 800m freestyle are Claudia Poll, of Costa Rica, and the German pair of Julia Jung - the European champion over 800m - and Dagmar Hase, the Olympic 400m champion.

Lewis set to tempt Bowe with £6m bid

Boxing

Lennox Lewis's handlers are prepared to guarantee Riddick Bowe \$9m (£6m) for their overdue heavyweight meeting in March or April.

Panos Eliades, the London businessman who promotes Lewis, will make the offer to Bowe's manager, Rock Newman, tomorrow in another attempt to get the 1988 Olympic rivals together after three years of trying.

"I'm still waiting for Newman to tell me what Bowe should receive for fighting Lewis," Eliades said. "This fight will be good for the sport and we are all geared up for it. It depends if they want the fight or not. I'm ready to guarantee Bowe \$9m."

If the sums eventually add up, the favourite site would be Caesars Palace, Las Vegas. But approaches have also been made for the fight to go ahead in South Africa - or even Kenya.

With the major titles tied up for the foreseeable months, Lewis against Bowe is just about the biggest heavyweight clash around - and, additionally, Bowe is still the World Boxing Organisation champion.

It would bring in the biggest money as the American cable network, Home Box Office, the big fight paymasters, have it at the top of their list for 1996.

Seventeen months ago, when Lewis held the World Boxing Council title, contracts were signed for a Bowe fight to take place in March of this year but Lewis lost to Oliver McCall at the Wembley Arena soon after the formalities for a £20.6m bout had been finalised.

Two syndicates race to beat deadline for millennium cup

Two fledgling syndicates are battling to raise the \$100,000 (£60,000) needed to give Britain a place for the millennium America's Cup in New Zealand. They need to register by the deadline of 13 May.

The establishment bid, represented by the Royal Yacht Squadron's Maldwin Drummond and the Royal Thames' John Prentice, has got as far as holding a series of negotiations with interested parties, but has yet to announce any financial involvement.

But intriguingly, a dark-horse challenge has appeared in the form of a 31-year-old advertising executive from Clapham, David Dent.

Dent, who runs his own media consultancy, has set up the grandly titled, but so far, substantial, Endeavour 2000 with the specific aim of mounting a British challenge. He admits he has neither money nor high-powered backers, but still expects to be at the next meeting of challengers in New York in January. He hopes he can not only register by May but have at least some of the six sponsors he is seeking at £5m apiece ready to state their commitment. He would like to see some millennium fund cash made available.

Prentice, meanwhile, says good progress was made at a recent two-hour meeting of just six people, which also covered the current malaise in big boat sailing. An action programme is being drawn up.

Should either group make

Stuart Alexander on the battle for British representation in the America's Cup

it to the water, Britain would be up against formidable competition. At least four United States syndicates, including the NYCC, Bill Koch - though not this time with an all-woman syndicate - Dennis Conner, and San Francisco, where Paul Cayard is the favourite to be skipper, are expected. The Japanese have declared, Australia and Spain are expected to take part again and, though there is a question mark over a French challenge, there are now strong signs that Daimler-Benz will support a first appearance by Germany.

Sir Peter Blake, who led the victorious New Zealand challenge last time, said he would be keen for a British challenge to materialise. "Anyone that wants to know, I would be keen to talk to personally. When we went to the US it was very hard, you didn't get a hand from anybody. We want to make things as easy for everyone as possible."

The defending New Zealanders have, as expected, decided not to create an internal competition for the defence job and will have just one syndicate. Auckland expects 12 to 15 challenging syndicates from what the New York Yacht Club describes as 35 serious enquiries.

Vales pic
lowring a
new coac

ause Wigan's grow

Blues come

under the weather



SPORT

No alcohol ban for fight promotions

Boxing

LIZ SEARL

Alcohol will not be banned at tournaments, despite a British Boxing Board of Control tribunal yesterday agreeing that drink played a major part in the riot at the fight which resulted in James Murray's death.

An inquiry by the BBBC's stewards into the disturbance when Murray fought Drew Docherty in a bantamweight title contest in Glasgow last month said that the incident appeared to have been influenced by alcohol. However, the BBBC claims it does not have enough evidence to warrant outright prohibition.

Instead, the provision of alcohol will still be left to the promoter's discretion, although drinking in auditoriums is already banned for reasons of safety.

The tribunal, chaired by former Chief Metropolitan Magistrate, Sir David Hopkin, concluded that the section of the audience at Glasgow's Hospitality Inn who had purchased tickets for the boxing only and not the dinner had caused the disturbance. In view of this "the Board will not permit this mixed type of private and public event to take place in future".

"We felt by the nature of the flare-up that it must have been [alcohol]," John Morris, the general secretary of the BBBC, said. "The evidence wasn't strong enough, but that was our feeling."

A decision to ban alcohol would have wider financial implications. "Venues require and need to have food and drink available because it is part of their revenue and the cost for the promoter would rise dramatically if they were to have no drink at all," Morris said.

The BBBC, which extended its deepest sorrow to the family and friends of Murray who died as a result of the bout, emphasised that it was not inquiring into the circumstances or causes of the boxer's death. "We are just trying to get to the bottom of what happened on the night," he said. "The object is to look ahead to see if anything can be done with safety," Morris said.

At the end of its short report, the BBBC advocated the use of police and security staff to implement safety measures and maintain a high level of security even if promotions have taken place regularly and successfully at the same venue over a period of time.

They were satisfied that no fault lay with promoters Frank

Warren and Katherine Morrison or the venue for the riot.

The panel had had a long look into the many aspects of mixed boxing evenings, which could be difficult to control and Morris revealed that Morrison would discontinue "mixed" shows - of dinner and boxing - in future, despite running them for five years.

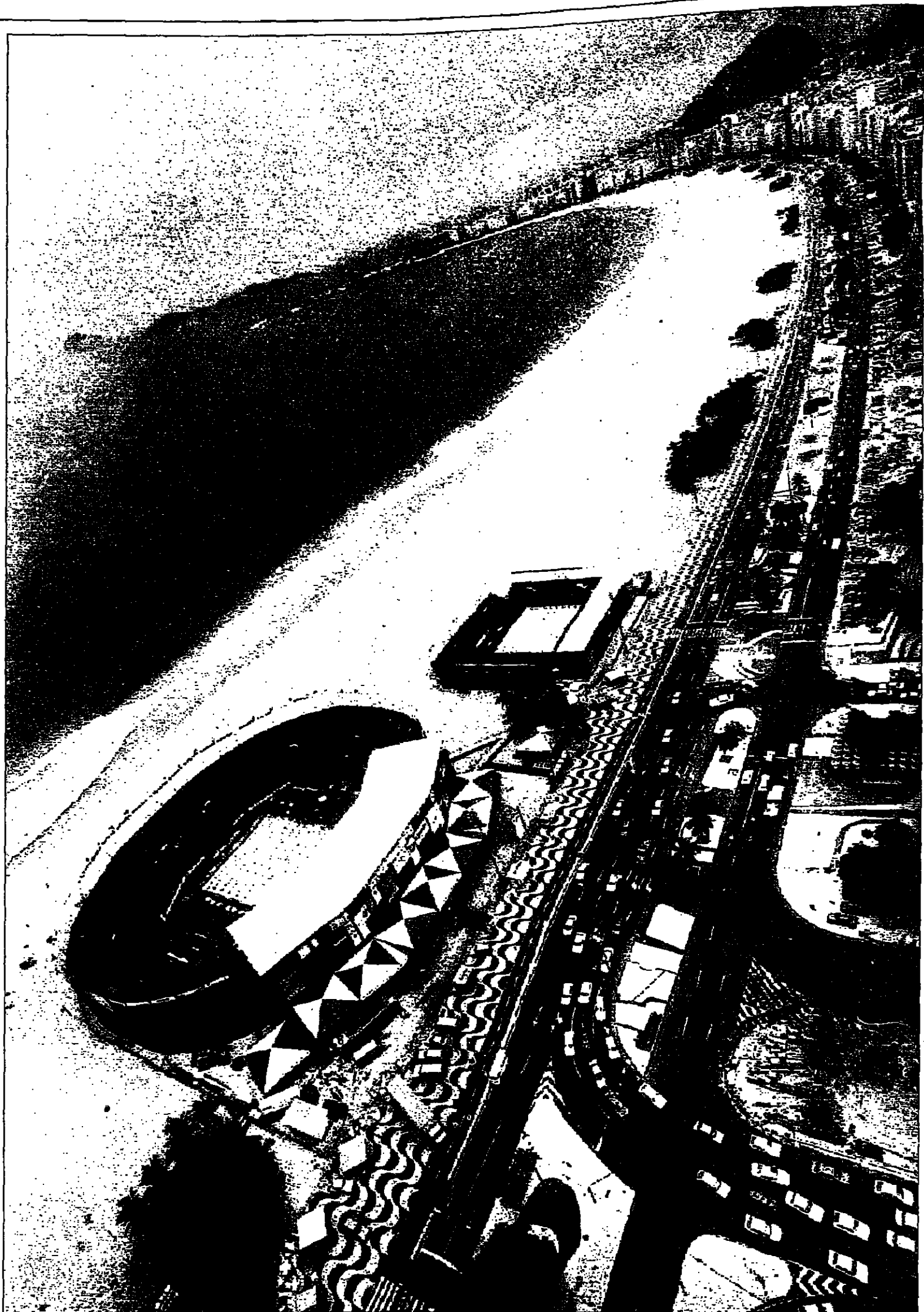
"Alcohol just needs to be properly controlled and we have to make sure that there is no drink in auditoriums with strict liaison with security staff," Morris said.

The Board had already ordered that security should be tightened at major fights 14 months ago, after it investigated the riot at the NEC in Birmingham when chairs were thrown between rival supporters during the Robert McCracken v Steve Foster fight.

The Board decided not to introduce closed-circuit television surveillance as advocated by Warren. "That is something that individual promoters may want to consider," Morris said. "It would be very expensive but we will be watching its development with interest."

Strathclyde Police, who sent an observer, said it was not able to offer an opinion on the outcome as action is pending on individuals involved in riot.

The case against Malcolm is that Illingworth - who was recently pining for a plate of rice pudding - would currently be inclined to whistle up someone other than Malcolm if he wanted the skin knocked off it. **MARTIN JOHNSON** on the second Test Page 26



Pools of paradise: an aerial view of the two 25-metre outdoor arenas on Rio de Janeiro's Copacabana Beach built especially for the World Short-Course Swimming Championships which begin today. Glittering Pickering, page 26; Photograph: Renzo Gotoli/Reuter

Sky's Premier League ambitions under threat

Football

DAVID HELLIER AND
MATTHEW HORSMAN

Sky's chances of extending its coverage of Premier League football for another five years have been dealt a potentially serious blow.

Advisers close to the Premier League confirmed last night that they had received guidance from barristers that a clause written into the last agreement, allowing Sky to trump any offer for television rights, is considered *ultra vires*, or unlawful.

"This agreement has been around for three and a half years," said an adviser close to the Premier League. "It has come under intense scrutiny. It is our view that the clause is unenforceable."

The advice appears to open up the auction for the crucial rights to Premiership matches, which have been the driving force behind Sky's success in the past three and a half years. Until now many experts have predicted that Sky's ability to extend its contract for another

five years, albeit at a higher price than last time around, was a mere formality.

However, Sky insisted last night that its own senior counsel believed the clause to be enforceable. It accused the Premier League of "trying to get leverage over Sky. This contract has a further two years to run. There is a first and last right in the contract and it is enforceable. He [the Premier League's chief executive, Rick Parry] is trying to put Sky in the position where it has to pay his price."

Sky announced on Tuesday that it had secured the rights to show Endsleigh League football, the Coca-Cola Cup and the FA Cup on its sports channels - but the biggest attraction for satellite, cable and terrestrial channels is coverage of the Premier League, which brings with it 60 live top-class matches per season.

A Premier League spokesman told the *Independent* this week that the £125m Sky deal with the Endsleigh League would in no way influence the negotiations for Premier League coverage. "We have no

intention of limiting ourselves to one bidder," the spokesman said. "It's clear that the Premier League is what everybody wants and the market for it will be competitive."

Yesterday Parry declined to comment on what he said were "commercially sensitive" matters. Media industry analysts expect that competing bids for the Premier League could come from ITV and a consortium of cable companies. Bids for the five-year deal could rise to £700m or more, compared to £304m last time around.

ITV were yesterday forced to delay the widely anticipated announcement that they have secured a four-year deal for exclusive live coverage of the FA Cup final. The commercial channel's capture of the game's domestic showpiece from the BBC is now due to be unveiled at an official launch within the next week. "It leaked before we were really ready to announce everything," a spokesperson for ITV said. "There are no problems - it is just that it is a very complex deal."

More football, page 27

Hendry forges ahead despite loss of form

Snooker

Stephen Hendry had a rare off day at the Royal Liver Assurance UK Championship in Preston yesterday, but the Scot still managed to establish a 6-2 overnight advantage over his Irish stablemate, Ken Doherty, in their best-of-17-frames quarter-final.

When the pair met in the 1994 UK final, Hendry went on a potting spree, running up seven century breaks over the course of 12 frames during his 10-5 victory.

The world No 1 came close to reproducing that dazzling form in the earlier rounds of this tournament, including his 147 maximum against Gary Wilkinson in the last 16. But after threatening to launch his bid for the penultimate round with another massive clearance, Hendry went off the boil.

He won the opening frame with a break of 85 but then he fluffed an easy pink with a possible 144 on the table. Doherty, the world No 9 who has won only two of his 10 previous meetings with Hendry, levelled the score at 1-1 with runs of 48 and 34.

He was never as close to Hendry again, partly because of some bad luck and partly because of his tendency to make schoolboy errors. Breaks of 37 and 85 allowed Hendry, the defending champion, to move into a 3-1 lead at the mid-session interval.

However, the Scot seemed certain to lose the fifth when Doherty forged clear, courtesy of a 53 break. To his cost Doherty missed an easy pink and Hendry's own 53 eventually helped him take the frame 7-5.

In the next frame, it was Hendry's turn to make the mis-

take. He led by 47 points to nil, but allowed Doherty to recover with a run of 59. All the Dubliner required was a clearance up to the blue but he snookered himself on the final yellow.

After several safety exchanges Doherty found himself snookered tight behind the brown ball. Trying to find an escape to hit the green, he struck the blue three times. At the fourth attempt he reached his target, but he left the ball well positioned for Hendry to clear green to pink to go 5-1 up.

The last two frames of the session were shared and Doherty will be frustrated that he did not put himself on level terms going into the concluding phase of the match this afternoon. Hendry requires only three of the last nine frames to stay on course for his fourth UK title in six years.

Results, *Sporting Digest*, page 27

Thomson reaches final at last

Bowls

The world indoor champion, Andy Thomson, who has fallen in three previous semi-finals, yesterday sealed a final meeting with the defending champion, John Price, in the CIS Masters in Cothridge. Thomson edged out the Scottish champion, Paul Conlan, in three sets.

The Englishman took the opening set 7-3 in eight ends but the 25-year-old Scot, who defends his title today, needed just

three ends to square the match. After dropping a single on the first end of the second set, Conlan scored successive counts of three and four for a 7-1 win.

Thomson then started well in the decider, with three shots on the opening end, followed by three singles, to take him within one of victory at 6-0. He wrapped up the set two ends later at 7-1.

Price had earlier coasted to his fifth final in seven years in the event, with a 7-1, 7-2 victory over the Commonwealth gold medalist, Richard Corsie.

The Swansea player, who also won the title in 1991, forged a 65-0 lead after four ends. Corsie responded with a fifth-end single but Price wrapped up the set with a double on the next end. The Welshman then scored doubles on the opening two ends of the second set before Corsie came back into contention with singles on the third and fourth. Price, however, went on to wrap up victory with further singles on the sixth and seventh ends.

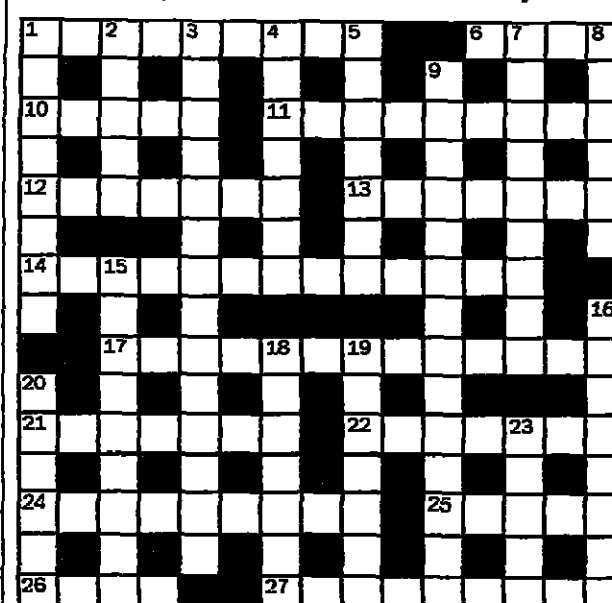
Results, *Sporting Digest*, page 27

THE INDEPENDENT CROSSWORD

No. 2845, Thursday 30 November

By Helleborne

Wednesday's Solution



1. SEARGE (6)
2. WO (2)
3. BARDANA (7)
4. FIANCE (7)
5. EER (3)
6. V (1)
7. S (1)
8. N (1)
9. T (1)
10. P (1)
11. DISADVANTAGEOUS (12)
12. G (1)
13. E (1)
14. L (1)
15. A (1)
16. U (1)
17. T (1)
18. I (1)
19. T (1)
20. O (1)
21. N (1)
22. A (1)
23. S (1)
24. D (1)
25. A (1)
26. S (1)
27. D (1)

- ACROSS**
- 1 Fair where second-rate fau-
 - 2 Charge to tell you how long
 - 3 Ancient Greek found lurking
 - 4 Being sixteen, gets converted
 - 5 A carriage that's secure for
 - 6 A lovely spot for a rambling
 - 7 Just set up the suspect.
 - 8 That's nothing to us (9)
 - 9 Let feet turn freely (8)
 - 10 What's a hooker doing at a
 - 11 Solicit-
 - 12 Offensive relation has one
 - 13 The Prisoner's - fashionable
 - 14 ending (6)
 - 15 Benefit from a cover for
 - 16 the ears (5)

- DOWN**
- 1 British endure old fellows
 - 2 Home for one with promise
 - 3 A check on the activities of
 - 4 the Fishing League? (5-4-5)
 - 5 Crown's made of iron - and
 - 6 there's tin setting as well
 - 7 (7)

- ACROSS**
- 1 Fair where second-rate fau-
 - 2 Charge to tell you how long
 - 3 Ancient Greek found lurking
 - 4 Being sixteen, gets converted
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 - 6 A lovely spot for a rambling
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